Supreme Power Equipment Ltd — Jul 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Inline on Revenue / Beat on PAT (YoY) **One-line:** Strong top-line momentum and margin resilience are overshadowed by a significant deterioration in earnings quality, as massive receivable spikes led to deeply negative operating cash flows.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	First entry	Consolidated Revenue grew 13.7% YoY; PAT grew 29.1% YoY.	□
Earnings Quality	Low (Working Capital driven)	CFO is negative □13.94 Cr against a PAT of □14.30 Cr due to doubling of trade receivables.	□
Guidance Confidence	Neutral	Driven by macro tailwinds (Renewable targets) rather than specific management guidance.	□
Management Credibility	Neutral	High technical expertise in board; however, poor working capital control needs explanation.	□
Business Quality Signal	Stable	Shifting mix toward private/non-government contracts (65% of revenue) usually improves margins but has currently hit cash flow.	□
Key Q&A Exchange	N/A	Concall not available — commentary absent.	□
The Street's Primary Anxiety	Working Capital Stress	Receivables grew ~101% YoY on a revenue growth of ~14%, suggesting aggressive credit terms.	□
Capital Cycle Stage	Investment	Significant jump in fixed assets (□24.67 Cr vs □4.63 Cr) following IPO infusion.	□
Margin / Return Ratio Trajectory	Deteriorating (Returns)	ROCE dropped from 58.5% to 24.7% (Standalone) due to equity base expansion post-IPO.	□
Pricing Power	Stable	EBITDA margins maintained at ~20% despite raw material volatility.	□
FCF Conversion & Quality	Distorted	FCF is deeply negative due to heavy capex and inventory/ receivable build-up.	□
Competitive Moat Signals	Stable	Strong approvals in Wind/Solar segments; Top 5 customers contribute 72% of revenue.	□
Balance Sheet Strength	Strong	Debt-to-Equity fell to 0.08x following IPO; high liquidity from primary proceeds.	□
Working Capital Efficiency	Deteriorating	Receivables turnover slowed from 3.08x to 1.87x; DSO has significantly expanded.	□
Mgmt Guidance Track Record	First entry	No prior guidance provided for comparison.	□
Key Vulnerability / Red Flag	Cash Flow Divergence	CFO-to-PAT ratio is -0.97x; earnings are not being converted to cash.	□
Management Tone	N/A	Concall not available — commentary absent.	□

Key Takeaways (Positives & Negatives): * **Positives:** The business is successfully pivoting away from government tenders (down from 59% to 35% of revenue), which historically carry lower margins. The company is well-positioned in high-growth niches like Solar and Energy-Efficient transformers. Leverage is negligible post-IPO, providing a clean slate for capacity expansion. * **Negatives: Earnings quality is poor.** While PAT grew 29%, the company ended the year with negative operating cash flow of ₹13.94 Cr, primarily because trade receivables doubled to ₹65.66 Cr. This suggests that growth is being "bought" through extended credit terms or reflects collection difficulties with newer private clients. * **The Street's Concern:** Investors will be wary of the 101% spike in receivables. If this is not corrected in H1FY25, the risk of bad debt provisions or a liquidity crunch despite the IPO proceeds will increase. * **Forward Watchpoint:** Monitor the "Receivables Turnover" and "CFO/PAT" ratio in the next filing to see if the cash collection cycle normalizes.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — Mgmt Commentary column absent.

Metric	Current Qtr (FY24)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Consol)	₹113.46 Cr	↑ 13.73%	First entry	↑	Volume vs Realization split not provided.
Revenue (Standalone)	₹107.18 Cr	↑ 41.90%	First entry	↑	Driven by 84% growth in "Other than Govt" segment.
EBITDA (Consol)	₹23.33 Cr	↑ 27.42%	First entry	↑	Growth outpaced revenue, suggesting cost control.
EBITDA Margin %	20.56%	↑ 221 bps	First entry	↑	Improved from 18.35% in FY23.
PAT (Consol)	₹14.30 Cr	↑ 29.06%	First entry	↑	Bottom line supported by lower interest costs.
ROCE (%)	24.71%	↓ 3381 bps	First entry	↓	Normalized after IPO equity infusion (Standalone).
Cash Flow (OCF)	(₹13.94 Cr)	↓ 365%	First entry	↓	Divergence caused by ₹33.05 Cr spike in receivables.
Net Debt / (Cash)	(₹18.00 Cr)*	↓ 180%	First entry	↑	*Estimated net cash pos. post-IPO proceeds usage.
Interest Coverage	10.54x	↑ 11.89%	First entry	↑	Standalone basis; healthy debt servicing capacity.
Working Capital	195 Days*	↑ 63%	First entry	↓	*Estimated; Receivables turnover fell to 1.87x.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Dist. & Energy Eff. Transformers	□54.02 Cr	↑ 31.1%	Not stated	↑	In-line	Dominant segment (50% of Standalone).
Power Transformers	□45.12 Cr	↑ 50.4%	Not stated	↑	Above avg	Major growth driver in FY24.
Solar Transformers	□8.03 Cr	↑ 110.2%	Not stated	↑	High growth	Emerging high-margin niche.
Govt Tenders	□37.44 Cr	↓ 16.5%	Lower	↓	Below avg	Strategic shift away from state utilities.
Non-Govt / Private	□69.73 Cr	↑ 127.4%	Higher	↑	Above avg	Now 65% of revenue mix.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Revenue	Growth from electrification and renewable integration.	Not quantified	First entry	High (Receivables)
Guidance	Margins	Technology upgradation and geographic expansion.	Maintain >18%	FY24: 20.5%	Low
Guidance	Capacity	Manufacturing facilities are "well-equipped."	Not quantified	First entry	Medium
Strategy	Sector Mix	Pivot to Wind/Solar/Energy-Efficient products.	>50% mix	Solar grew 110%	Low
Macro	Demand	500 GW renewable target by 2030 (GoI).	Industry CAGR 7%	N/A	Low
Balance	Leverage	Debt-to-Equity reduction.	Maintain <0.5x	Achieved 0.08x	Low

(N/A — no concall conducted or available to track specific quarterly promises.)

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
New Baseline	N/A	FY24 Full Year Data	First entry

STOP HERE.