

Supreme Power Equipment Ltd — Jun 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline on Revenue; Beat on Order Backlog. **One-line:** The thesis of SPEL's transition to a high-voltage power transformer major is fully validated by the commercialization of the 9,000 MVA Kannur plant and a record ₹588.17 Cr order book, though short-term margins face minor pressure from front-loaded expansion costs.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Consolidated Revenue of ₹181.64 Cr hit the ₹180-200 Cr FY26 guidance range.	□
Earnings Quality	High (Core driven)	CFO of ₹25.90 Cr exceeds PAT of ₹20.68 Cr (1.25x ratio); no one-off gains.	□
Guidance Confidence	Strong	FY27 revenue target of ₹275–300 Cr is highly feasible given the ₹588 Cr order book.	□
Management Credibility	Strong	Successfully commercialized Kannur facility in Feb 2026 as promised; delivered receivable reduction.	□
Business Quality Signal	Improving	Shift to higher voltage class (220 kV) increases barriers to entry and reduces competition.	□
Key Q&A Exchange	Q5 (Execution)	Management confirmed 160 MVA / 220 kV order secured; prototype testing by Dec 2026.	□
The Street's Primary Anxiety	Margin Dilution	Analysts questioned if higher overheads eat up better product margins; Mgmt expects 10-12% PAT corridor.	□
Capital Cycle Stage	Transition (to Ops)	Investment phase for the main plant is over; now entering the ramp-up and harvesting phase.	□
Margin / Return Ratio	Deteriorating (Temp)	ROCE dipped to 18.76% from 25.7% (FY25) due to the massive capital block addition of the new plant.	□
Pricing Power	Stable	Pass-through (PVC) clauses protect long-cycle orders; short-cycle orders use back-to-back procurement.	□
FCF Conversion & Quality	Strong	Consistent positive CFO despite ₹119.71 Cr fixed asset build-up; WC cycle is disciplined.	□
Competitive Moat Signals	Widening	Capability to manufacture up to 200 MVA places SPEL in a rarer competitive tier than regional peers.	□
Balance Sheet Strength	Adequate	D/E rose to 0.42x to fund expansion; interest coverage remains safe at 10.42x.	□
Working Capital Efficiency	Improving	Receivables stabilized at 94 days, a structural shift from the 200+ day historical cycle.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on capacity milestones and geographic expansion into Karnataka/Kerala.	□
Key Vulnerability	Labor Ramp-up	Management flagged the challenge of training 200+ newly hired skilled workers for high-spec units.	□
Management Tone	Confident	Bullish on "huge demand" from data centers and renewable grid integration.	□

Sentiment: □ Positive (Thesis Strengthened)

Key Takeaways: * **Positives:** The fundamental investment thesis is entering its most critical realization phase. The Kannur facility (up to 200 MVA / 220 kV) is now operational, and the order book has ballooned to ₹588.17 Cr (3.2x FY26 Revenue). Geographic concentration is breaking, with significant order wins in Karnataka and Kerala reducing dependence on Tamil Nadu utilities. * **Negatives:** Rapid expansion has introduced execution risks, specifically in human capital. Management admitted that while 200 people were deployed, the "output" is lagging by 3-4 months due to training needs. Raw material volatility (copper/oil) caused a ~1.5% dip in PAT margins this year. * **Street Concern:** Analysts are focused on the timeline for high-voltage certification. Management's response that prototype testing for 220 kV units will happen in Dec 2026/Jan 2027 provides a clear timeline but implies that the "ultra-high-margin" revenue kicks in only from FY28. * **Watchpoint:** The execution of the ₹412 Cr planned for FY27 delivery. Failure to hit the ₹300 Cr revenue mark would suggest labor/productivity bottlenecks at the new plant.

2. BUSINESS PERFORMANCE

2A. KEY METRICS *Consolidated figures (PPT primary source).*

Metric	Current Year (FY26)	YoY Change (%)	Trend	Mgmt Commentary
Revenue (₹Cr)	181.64	↑ 22.14%	↑	Driven by 21.8% volume growth; Standalone revenue was higher at ₹190.08 Cr.
EBITDA (₹Cr)	33.29	↑ 14.52%	□	Growth lagged revenue due to hiring front-loading and RM volatility.
EBITDA Margin %	18.33%	↓ 121 bps	↓	Compressed from 19.54% (FY25) due to new plant overheads.
PAT (₹Cr)	20.68	↑ 9.24%	□	Growth tempered by higher depreciation (₹1.74 Cr) from Kannur plant.
ROCE (%)	18.76%	↓ 694 bps	↓	Lower due to massive asset base expansion (₹119.71 Cr vs ₹63.97 Cr).
Cash Flow (OCF) (₹ Cr)	25.90	↓ 34.20%	□	Positive, but lower than FY25 (₹39.36 Cr) due to inventory buildup (₹62 Cr).
Net Debt / Equity (x)	0.42	↑ 110.0%	↓	Increased to 0.42x from 0.20x to fund Kannur plant and working capital.
Interest Coverage (x)	10.42	↓ 7.38%	→	Remains robust despite higher debt servicing costs.
Receivables (Days)	94	↑ 14.63%	□	Slight uptick from 82 days (H1 FY26) but vastly improved from 200+ historically.
Order Book (₹Cr)	588.17	↑ 306.2%	↑	Strongest metric; provides multi-year revenue visibility.

2B. SEGMENT BREAKDOWN (Standalone Mix)

Segment	Revenue (₹ Cr)	Mix %	Margin	Trend	vs Co. Avg	Key Development
Power Transformers	78.54	41.32%	High	↑	Above	Now the largest segment; focus of Kannur expansion.
Distribution & Energy Efficient	59.23	31.16%	Moderate	→	Below	Consistent utility volume; 20% of current order book.
Inverter Duty (Solar/Wind)	52.31	27.52%	Very High	↑	Above	Fast-growing niche; 7-8% of order book but high value.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue (FY27)	₹275 - ₹300 Cr	Needs 51% growth; Feasible given ₹588 Cr order book.	Delivered FY26 target	Low
Guidance	Margins	10% - 12% PAT	Sustainable; requires absorption of new staff costs.	Inline (11.4%)	Moderate
Guidance	Capacity	9,000 MVA Total	Commercialized Feb 2026; targeting 90% utilization in 3 years.	Delivered	Low
Guidance	Capex Plan	₹20-25 Cr	For tank manufacturing; operations by FY28.	New	Low
Strategy	Capital Allocation	Non-dilutive growth	Funding growth through internal accruals and bank limits.	Consistent	Moderate
Strategy	Product Mix	160 MVA / 220 kV Class	Prototype testing Dec 2026; orders already secured.	In Progress	Moderate
Macro	Industry Demand	5-10 Year Upcycle	Driven by AI Data Centers and 500 GW Renewables target.	N/A	Low
Macro	Input Costs	PVC Clauses	Pass-through for orders >3 months; back-to-back for shorter.	Consistent	Low
Balance	Receivables	< 100 Days	Targeted discipline in collections from EPC/Utilities.	Strong (94 days)	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	5.0	Paras Chheda / Purpleone Vertex	Management Commentary	"What percentage of this INR 588 crores order book is expected to be executed during FY27?"	Management expects to execute enough to achieve ₹275-300 Cr revenue in FY27, with roughly ₹100 Cr added annually thereafter. This confirms a structured ramp-up of the 3.5x capacity expansion rather than an immediate revenue explosion.	None	4.5	Conservative Guidance
2	4.0	Paras Chheda / Purpleone Vertex	Capex and Allocation	"Any thoughts on another leg of capacity expansion?"	Management is planning a ₹20-25 Cr investment in a 1-acre tank manufacturing facility to be completed this financial year. In-sourcing tanks (6-7% of transformer cost) will improve supply chain reliability and provide marginal PAT expansion.	None	4.0	Vertical Integration
3	4.5	Jayesh Lad / Centra Insight	Financials	"What is the split of the order book between government and private?"	The order book is split roughly 34% Government (₹197 Cr) and 66% Non-Government (₹388 Cr). The shift toward private/EPC players is a key driver for the improved 94-day receivable cycle.	None	5.0	De-risked Book

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
4	5.0	Nikunj Bhanushali / Wallfort PMS	Business Overview	"How is the ramp-up going on at our new facility?"	Management admitted a 3-4 month "training lag" for the 200 new employees despite all machinery being installed. This identifies human capital as the primary bottleneck for FY27 execution.	None	4.0	Execution Bottleneck
5	5.0	Nikunj Bhanushali / Wallfort PMS	Management Commentary	"What additional certifications do we need to supply transformers above 220 kV?"	A prototype 160 MVA / 220 kV unit must be manufactured and tested at CPRI, with testing scheduled for Dec 2026/Jan 2027. Passing this test is the ultimate de-risking event for the high-voltage thesis.	None	5.0	Clear Milestone
6	4.5	Aditya / Financially Free	Financials	"How are you mitigating rising transformer oil and raw material costs?"	Price Variation Clauses (PVC) apply to orders over 3-4 months; shorter orders use back-to-back procurement at the time of order. This structural mitigation limits downside risk but led to a 1.5% margin dip due to timing lags.	None	4.0	RM Mitigation
7	4.0	Aditya / Financially Free	Business Overview	"How big roughly the opportunity could be for us from the	Management sees "huge demand" for >100 MVA units from data centers but can	None	3.5	Future Optionality

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
				Data Center (DC) side?"	only bid after the 160 MVA prototype certification is complete. DC demand is a mid-term (FY28+) tailwind rather than an immediate revenue driver.			
8	4.5	Saurabh Gupta / Financially Free	Financials	"Will the 14.6% EBITDA margin in H2 be sustainable given price escalations?"	Management claims Q1 FY27 raw materials were booked in advance in March, suggesting margins should sustain or improve. This provides short-term margin visibility for the first half of the new fiscal year.	None	4.0	Margin Visibility
9	4.0	Achuth / Ind. Investor	Management Commentary	"Do you have any plans to go up to 765 kV in the long term?"	Management has a "vision" for 765 kV but no plans for the next 2-3 years, focusing first on 220 kV-330 kV. This demonstrates disciplined growth rather than over-extending capabilities.	None	4.5	Disciplined Roadmap

PATTERN FLAGS & SENTIMENT * **The Training Bottleneck:** Analysts were sharply focused on how SPEL will convert its massive order book into revenue. Management was transparent about the "labor challenge," admitting that while they have the orders and machines, the 200 new hires need 3-4 months to reach peak productivity. This suggests FY27 revenue may be H2-heavy. * **Vertical Integration as a Margin Shield:** The new tank manufacturing facility was a surprise announcement. Management's rationale—securing the supply chain and capturing the 6-7% cost component of the iron/steel portion—was well-received as a way to protect the 10-12% PAT margin target. * **Analyst Sentiment: Convincingly Bullish.** Analysts were satisfied with the record order book and the fact that Kannur is finally online. The friction points were minor (RM volatility and

training cycles) and management provided specific, quantified responses for each. The "migration to main board" mention suggests increasing institutional interest.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (H1 FY26)	This Quarter (FY26 Final)	Direction
Order Book	₹311.11 Cr	₹588.17 Cr	↑
Kannur Plant Status	Trial production / 95% complete	Fully Commercialized (Feb 2026)	↑
Capacity	2,500 MVA	9,000 MVA	↑
Debt/Equity	0.18x	0.42x	↓
Receivables	80–90 Days	94 Days	→
FY27 Revenue Visibility	₹300 Cr (Aspiration)	₹275–300 Cr (Guided Base)	↑
Investment Plan	No major new projects	₹20-25 Cr Tank Factory announced	□
Revenue Mix	Distribution focused	Power Transformers (41%) leading	↑

INVESTOR NOTES: * **Earnings Quality:** SPEL maintained a high CFO/PAT ratio of 1.25x. The divergence from last quarter's "billing delay" concern was resolved by strong collections in Q4. * **The Certification Trigger:** The stock's next major fundamental re-rating trigger is the Jan 2027 CPRI certification for the 160 MVA / 220 kV unit. Success here opens the door to high-value Data Center and Green Energy evacuation projects. * **Growth Attribution:** Growth is strictly volume and capacity-driven. SPEL is not relying on price hikes; instead, it is scaling through its 3.6x capacity leap and shifting the mix toward larger Power Transformers.

STOP HERE.