

Supreme Power Equipment Ltd — Nov 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat on Order Book; Inline Performance. **One-line:** SPEL is successfully transitioning from a regional utility supplier to a multi-state power equipment player, with a record order book (₹235 Cr) and a 3.6x capacity expansion entering the final commissioning phase.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	H1 Revenue (₹75.36 Cr) and ₹235 Cr order book make the FY26 guidance of ₹200 Cr look highly conservative.	☐
Earnings Quality	High (Core driven)	Growth is purely volume-driven; no one-offs or non-operating gains cited in P&L.	☐
Guidance Confidence	Strong	Management reaffirmed ₹200 Cr+ for FY26 and projected ₹500-600 Cr by FY28-29.	☐
Management Credibility	Strong	Delivered on multi-state expansion (Kerala, Telangana, Karnataka) as promised last quarter.	☐
Business Quality Signal	Improving	Pivot toward higher MVA (up to 160 MVA) and Inverter Duty Transformers increases entry barriers.	☐
Key Q&A Exchange	Q5 (Capacity)	Mgmt explained the low utilization of the old plant was due to a product mix of smaller units; new plant targets high-capacity units.	☐
The Street's Primary Anxiety	Execution Ramp-up	Concern regarding the ability to fill 9,000 MVA capacity; Mgmt cited a 10-year global demand super-cycle.	☐
Capital Cycle Stage	Investment (Final)	90% of the ₹100 Cr expansion is complete; commercial production scheduled for January 2026.	☐
Margin / Return Ratio	Stable	H1 EBITDA margin (18.9%) is holding despite front-loaded hiring for the new facility.	☐
Pricing Power	Stable	High demand and 12-18 month lead times at competitors allow SPEL to maintain 18-20% EBITDA levels.	☐
FCF Conversion & Quality	Distorted	Cash/Bank balance rose to ₹5.80 Cr, but rapid capex and inventory build for the new plant are consuming OCF.	☐
Competitive Moat Signals	Widening	Approvals from KSEB (Kerala) and KPTCL (Karnataka) break the Tamil Nadu geographic concentration.	☐
Balance Sheet Strength	Adequate	Sanctioned loans of ₹40 Cr (₹30 Cr utilized) plus warrant funds provide a sufficient buffer.	☐
Working Capital Efficiency	Stable	Receivables cycle maintained at 85-100 days; significant improvement from FY24 levels.	☐
Mgmt Guidance Track Record	Reliable	Consistent delivery on expansion timelines and order book conversion.	☐
Key Vulnerability	Talent Overhead	Transitioning to 160 MVA requires specialized, high-cost talent, which may cap PAT margins at 10-12%.	☐
Management Tone	Confident	Bullish on "huge" global demand; dismissive of domestic solar slowdown concerns.	☐

Sentiment: ☐Positive (Thesis Strengthened)

Key Takeaways: * Positives: The fundamental investment thesis—that SPEL can scale from a small-cap regional player to a mid-cap national player—is playing out. The order book has grown 18% QoQ to ₹235 Cr, with 52% now coming from the private sector, reducing utility payment risk. Breakthrough orders in Kerala (₹15.25 Cr) and Telangana validate the geographic expansion strategy. *** Negatives:** EBITDA margins compressed YoY (18.94% vs 20.53%) as the company front-loads employee costs for the new facility. The transition to larger power transformers (up to 160 MVA) introduces technical and "talent acquisition" risks, as these products require rigorous CPRI type-testing which can take 3-6 months. *** Street Concern:** Analysts are skeptical about the 3.6x capacity jump (2,500 to 9,000 MVA). Management's rebuttal is that the industry is in a 10-year super-cycle with competitors fully booked for 12-18 months, allowing SPEL to capture market share through faster delivery. *** Watchpoint:** The start of production in January 2026 and the timing of CPRI approvals for the >25 MVA class. This is the "gatekeeper" for the ₹500 Cr revenue target.

2. BUSINESS PERFORMANCE

2A. KEY METRICS (Consolidated)

DATA SOURCE: PPT figures primary; Concall for commentary.

Metric	Current Qtr (H1 FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	75.36	↑ 28.6%	↑ 14.3%	↑	Driven by execution in solar (inverter duty) and power transformers.
EBITDA (₹Cr)	14.27	↑ 18.6%	↑ 12.0%	↑	EBITDA growth slightly trailed revenue due to higher employee costs.
EBITDA Margin %	18.94%	↓ 159 bps	↓ 39 bps	↓	Marginal compression due to front-loaded talent for the new 160 MVA line.
PAT (₹Cr)	9.41	↑ 32.0%	↑ 11.2%	↑	Net profit growth aided by lower interest costs YoY (₹1.01 Cr vs ₹1.71 Cr).
ROCE (%)	23.84%	↓ 87 bps	First Entry	→	FY25 reported; indicates high asset turn despite capex cycle.
Order Book (₹ Cr)	235	↑ 117%	↑ 18.7%	↑	Includes ₹60 Cr NLC order; 52% Private / 48% Government.
EPS (₹)	3.76	↑ 31.9%	↑ 11.2%	↑	On post-IPO capital base.
Receivables Cycle	85-100 Days	↓ 45% (vs FY24)	→	↑	Significant improvement from 190 days; mgmt targets 100-day ceiling.
Utilization (%)	~50% (implied)	→	→	→	Current plant limited to 2,500 MVA; new plant adds 6,500 MVA.

2B. SEGMENT BREAKDOWN (Order Book Basis)

Segment	Revenue Mix (Order Book)	YoY Growth (H1)	Margin	Trend	vs Co. Avg	Key Development
Power Transf.	45% (₹105 Cr)	High	High	↑	Above	Pivot to higher voltage/MVA (up to 160 MVA class).
Inverter Duty (Solar)	33% (₹76 Cr)	High	Very High	↑	Above	Largest driver of private sector order growth.
Distribution Transf.	22% (₹53 Cr)	Moderate	Moderate	→	Below	Consistent utility demand; lower barrier to entry.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue (FY26)	₹200 Cr+	Needs ₹125 Cr in H2; Feasible given ₹235 Cr backlog (60% execution guidance).	Delivered	Low
Guidance	Peak Revenue	₹500 - ₹600 Cr	Requires ~₹125-150 Cr/qtr; dependent on Jan 2026 expansion.	In Progress	Moderate
Guidance	Margins	10% - 12% PAT	H1 PAT is 12.5%; provides buffer for new plant overheads.	Delivered	Low
Guidance	Capacity	9,000 MVA	Commissioning by Dec 2025; Jan 2026 production start.	On Track	Moderate
Strategy	Geography	South India + National	Entered Kerala, Karnataka, Telangana, Punjab, Maharashtra.	New	Low
Macro	Sector Demand	10-Year Super Cycle	Global transformer shortage creates 12-18 month lead times for peers.	N/A	Low
Balance	Debt Target	₹40 Cr Debt Ceiling	Current utilized: ₹30 Cr; Internal accruals/warrants to cover balance.	Delivered	Low

4. ANALYST Q&A

Q#	Rel.	Analyst	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
1	5.0	Harsh / NV Alpha	Financials	"Can you give us the breakup of order book... government and non-government?"	Mgmt confirmed a ₹235 Cr book split ₹112 Cr (48%) Govt and ₹123 Cr (52%) Private, with 60% execution expected this fiscal. A higher private mix improves receivables quality and mitigates dependency on utility payment cycles.	None	5.0	Quantified
2	4.5	Harsh / NV Alpha	Business	"Are we in the concluding stage of [the NLC order]?"	The order is in the prototype/type-testing stage with full dispatch expected over the next 1.5 months. Conversion of this ₹61 Cr order into H2 revenue is the primary bridge to hitting the ₹200 Cr annual target.	None	4.5	Specific Timeline
3	4.0	Aditi Roy	Strategy	"How will company expand its presence beyond South India with the new capacity?"	SPEL has recently secured orders from Telangana and is bidding in Punjab and Maharashtra while holding KPTCL (Karnataka) and KSEB (Kerala) approvals. Geographical diversification de-risks the company from TANGEDCO-specific concentration.	None	4.0	Reassuring
4	4.0	Aditi Roy	Financials	"What is the current receivable cycle?"	The cycle is between 85 to 100 days. Maintaining this below the historical 120-150 day range is critical for funding the upcoming capacity ramp-up.	None	5.0	Quantified
5	5.0	Pawandeep / NV Alpha	Capex	"Since 2023 to 2025... why has our capacity [utilization] been traditionally very low?"	Previous production was limited to small units (<10 MVA) where competition is high; the new expansion targets 25-160 MVA units where peers are fully booked. This explains the jump from low-value/high-volume to high-value/lower-unit-count production.	None	4.5	Structural Clarity
6	4.5	Arun / Nvest	Guidance	"Does that mean like from the starting onwards itself, the capacity	Utilization in the new plant will start at 10-20% in Q4 FY26 and scale phase-by-phase over 2-3 years to	None	4.5	Realistic

Q#	Rel.	Analyst	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
				utilization will be like very much high?"	reach ₹500 Cr revenue. This realistic ramp-up guide prevents overly aggressive short-term earnings modeling.			
7	4.5	Arun / Nvest	Business	"What about the top line number for FY '27th, sir?"	Management is targeting 30-40% growth in FY27, implying a revenue range of ₹260-280 Cr. This signals a continuation of the high-growth trajectory post-commissioning.	None	4.0	Quantified
8	4.0	Ishita Sen	Business	"Are you evaluating JV Technology Partnership for ultra-high voltage products?"	Management clarified no JV plans currently; they are relying on hiring senior talent from Tier-1 MNCs to bridge the tech gap. High-voltage execution without a JV partner puts the burden of quality entirely on internal talent.	None	3.5	Strategy Note
9	4.5	Paras Chheda	Capex	"Will you require some sort of testing... validation from customer?"	Capacities <25 MVA can start immediately in Jan 2026, but higher capacities require vendor approval and CPRI type-testing. The "regulatory lag" for high-MVA units is the main bottleneck for the FY27 ramp-up.	None	5.0	Critical Gatekeeper
10	4.0	Paras Chheda	Business	"The demand is there... how long are you confident...?"	Management believes global and domestic demand tightness will persist for the next 10 years. This bullish macro view is driving their internal discussion for a potential "Phase 2" expansion.	Phase 2 details	3.0	Visionary
11	3.5	Achut / Active Inv.	Financials	"Can we expect some margin expansion or margins will be reduced?"	Management expects 1-2% core margin expansion in high-MVA units, but this will be "absorbed by overheads," keeping net margins stable at 10-12%. This honest assessment suggests operating leverage may be offset by talent costs.	None	4.0	Transparent
12	3.0	Janga Reddy	Capex	"We didn't get any photos that how manufacturing	Management admitted to the lack of visual updates and promised to upload short videos/photos to the	None	5.0	Verifiable

Q#	Rel.	Analyst	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred.	Verdict
				tank was getting ready."	exchange and social media. Resolves a minor retail investor transparency concern.			

PATTERN FLAGS & SENTIMENT * The "MVA Gap" Anxiety: Analysts repeatedly questioned why historical utilization was low and how SPEL would fill the massive new capacity. Management successfully pivoted the narrative: the old plant made "commodity" small transformers, while the new plant targets "high-entry-barrier" large transformers where global supply is constrained. * **Talent vs. Margin:** There is an underlying tension regarding margins. While higher MVA products command better prices, the need to hire from ABB/Hitachi/Siemens is increasing employee costs. Analysts seem satisfied as long as PAT margins stay in the 10-12% corridor. * **Analyst Sentiment: Very Optimistic.** The focus has shifted from "Can you win orders?" (proven by the ₹235 Cr book) to "How fast can you build and test?" The move to provide visual proof of the plant's progress suggests a management team responsive to investor scrutiny.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY26)	This Quarter (H1 FY26)	Direction
Order Book	₹198 Cr	₹235 Cr	↑
Revenue Run-rate	₹35.18 Cr (Q1)	₹40.01 Cr (Q2)	↑
Geographic Reach	Focus on Kerala/Karnataka	Confirmed entry into Telangana, Punjab, Maharashtra	↑
Govt/Private Mix	63% Govt / 37% Private	48% Govt / 52% Private	↑
Expansion Readiness	90% Civil work complete	Machinery 90% installed; Dec-25 completion firm	↑
Visibility	Conservative FY26 focus	Clear FY28-29 target of ₹500-600 Cr	↑
Transparency	Low visual disclosure	Commitment to provide video/photo evidence	↑
Employee Costs	Early hiring	Sustained hiring; 50% increase YoY in H1 costs	↓

INVESTOR NOTES: * **Earning Quality Check:** CFO was ₹39.4 Cr in FY25 (CFO/PAT > 2.0x). H1 FY26 shows a buildup of inventory (₹1.5 Cr vs ₹20.2 Cr LY) to support the new plant launch. This is a healthy working capital investment, not a signal of poor collections. * **Guidance Feasibility:** To hit the ₹200 Cr target, SPEL needs ₹125 Cr in H2. With a ₹235 Cr order book and dispatches for the NLC project starting, the probability of meeting or exceeding this is >90%. * **Key Monitoring Point:** The CPRI type-testing schedule for the 160 MVA class in Q4 FY26. Failure or delay here would push the high-margin revenue into FY27.

STOP HERE.