Supreme Power Equipment Ltd — Oct 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat on Revenue; Guidance Upgrade. **One-line:** The thesis is strengthening as SPEL successfully converts its massive order book into high-growth revenue (up 80% YoY), while simultaneously upgrading full-year guidance and maintaining margin stability despite raw material volatility.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Strong Beat	H1 Revenue (₹135.57 Cr) and upgraded FY27 guidance (₹300-350 Cr vs. prior ₹250-300 Cr).	□
Earnings Quality	High (Core driven)	Growth driven by volume ramp-up at Kannur; 80% of book protected by PVC.	□
Guidance Confidence	Strong	Management raised the revenue floor by ₹50 Cr; order book provides 1.6x coverage for the new target.	□
Management Credibility	Strong	Transparent regarding margin ranges (9-12% PAT) and raw material pressures.	□
Business Quality Signal	Improving	Shift toward Power Transformers (75-78% of mix) and entry into the Maharashtra market.	□
Key Q&A Exchange	Q7 / Harinder Singh	Management detailed the PGCIL approval roadmap and bushing sourcing strategy.	□
The Street's Primary Anxiety	Working Capital	Analysts focused on the spike in inventory/receivables; mgmt expects CFO to turn positive in H2.	□
Capital Cycle Stage	Harvesting	Ramping up Unit 2 (Kannur) from 25% to 50% utilization; planning next expansion in FY28.	□
Margin / Return Ratio	Stable	EBITDA at 17.4%; PAT margin guided at 9-12% despite RM cost pressure.	□
Pricing Power	Stable	Extensive use of Price Variation Clauses (PVC) protects against LME/CRGO volatility.	□
FCF Conversion & Quality	Weak (Temporary)	High inventory (₹60-70 Cr) and receivables lead to negative H1 CFO; H2 recovery critical.	□
Competitive Moat Signals	Widening	Capability moving toward 160 MVA / 220 kV; PGCIL approval in process.	□
Balance Sheet Strength	Adequate	Working capital requirements increasing; relying on debt for inventory funding.	□
Working Capital Efficiency	Deteriorating	Inventory/Receivables "shot up" for execution ramp-up; DIO/DSO levels under pressure.	□
Mgmt Guidance Track Record	Reliable	Upgraded revenue guidance based on execution visibility.	□
Key Vulnerability	PGCIL / Data Centers	Entry into the high-margin 160MVA+ segment is delayed until CPRI type-testing is complete.	□
Management Tone	Confident	Bullish on a 10-year demand cycle for the power sector.	□

Sentiment: □Positive (Thesis Strengthening)

Key Takeaways: * **Positives:** The revenue trajectory is accelerating significantly, with H1 performance (₹135.6 Cr) nearly matching total FY26 revenue. The product mix shift is materializing, with Power Transformers now dominating the order book (₹440 Cr of 565 Cr). Most importantly, management upgraded their FY27 revenue guidance from 250-300 Cr to 300-350 Cr, signaling strong confidence in the Kannur facility's ramp-up. * **Negatives:** Rapid growth is extracting a toll on the balance sheet. Inventory and trade receivables have spiked, leading to a temporary cash drain. While management expects a positive CFO in H2, the working capital intensity of the Power Transformer segment (60-90 day government payment cycles) remains a friction point. Margin guidance was also slightly tempered to a 9-12% range (previously 10-12%) due to unexpected raw material price hikes in CRGO and oil. * **Street Concern:** Investors are preoccupied with the "productivity lag" in labor and the timeline for high-voltage approvals. Management clarified that they are training freshers rather than poaching, which protects margins long-term but slows the immediate ramp-up of the 220kV segment. * **Watchpoint:** Completion of the 50 MVA / 160 MVA type-testing and the subsequent PGCIL approval. This is the "golden gate" that will allow SPEL to bid for the highest-margin private and data center projects in FY28.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT not available — all numbers sourced from concall transcript.*

Metric	Current Qtr (H1 FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	135.57	↑ 79.91%	N/A	↑	Growth driven by volume ramp-up at Kannur facility.
Gross Margin (%)	Not in Doc	N/A	N/A	→	PVC clauses protected margins from RM volatility.
EBITDA (₹Cr)	23.62	↑ 65.46%	N/A	↑	Scaling of Power Transformer segment.
EBITDA Margin %	17.42%	↓ 150 bps	N/A	↓	Lowered by front-loaded hiring and input costs.
PAT (₹Cr)	13.65	↑ 45.09%	N/A	↑	Growth tempered by higher depreciation/ interest.
Order Book (₹Cr)	565.80	↑	↓	□	Sequential dip as ₹135 Cr was billed vs 209 Cr won.
Order Inflow (□ Cr)	209.24	N/A	N/A	↑	11 major orders secured in H1.
Capacity Utilization	~25-30%	N/A	N/A	↑	Ramping to 40-50% by March 2027 (Unit 2).
PAT Margin (%)	10.07%	↓	N/A	□	Management guided range is now 9-12%.
EPS (₹)	5.46	↑	N/A	↑	Calculated on H1 performance.
Inventory (₹Cr)	~60-70	↑	N/A	↓	Held for 2-2.5 months to support H2 targets.

2B. SEGMENT BREAKDOWN (Order Book Basis)

Segment	Book (₹ Cr)	Mix %	Margin	Trend	vs Co. Avg	Key Development
Power Transformers	440.00	78%	Higher	↑	Above	Focus on >110kV; 50 MVA TANGEDCO order secured.
Distribution	95.00	17%	Moderate	→	Below	Consistent utility demand; serviced by Unit 1.
Inverter Duty (Solar)	30.00	5%	High	→	Above	Catering to renewable energy integration.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue (FY27)	₹300 – ₹350 Cr	**Needs ₹82-107 Cr/qtr.** High feasibility; ₹353 Cr of book is due by Mar'27.	Upgraded	Low
Guidance	Margins (PAT)	9% – 12%	Current 10.1% is within range; RM pressure is the hurdle.	Consistent	Moderate
Guidance	Utilization	50% (Unit 2)	Ramping from 25% currently; implies strong H2 volume.	On Track	Moderate
Strategy	Expansion	₹550-600 Cr Peak	Feasible by FY28 at current ramp-up speed.	Reliable	Low
Strategy	Data Centers	Credential Building	Prerequisite: CPRI prototype test for 160 MVA.	New Target	High
Macro	Industry Cycle	8-10 Year Demand	Driven by transmission network expansion.	N/A	Low
Macro	Input Costs	PVC Protection	80% of book is covered; lags in PVC are the only risk.	Proven	Low
Balance	Cash Flow	Positive CFO in H2	Requires inventory liquidation and Govt collections.	TBD	High

4. ANALYST Q&A

Q#	Rel	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred	Verdict
1	4.5	Garvit Goyal / Serene Alpha	Guidance	Management Commentary	"Are you confident enough to cross ₹300 crores for this financial year?"	Management upgraded revenue guidance to ₹300-350 Cr, noting that ₹215 Cr of execution in H2 is easily achievable given the order book. This upgrade signals a fundamental shift in execution scale for the Power Transformer segment.	None	5.0	Quantified Upgrade
2	4.0	Garvit Goyal / Serene Alpha	Margins	Financials	"Why are we speaking about this 9%... earlier, this range used to be 10% to 12%?"	Management cited unexpected war-related price rises in CRGO steel and oil since January, prompting a more cautious 9-12% PAT margin range. This implies RM volatility may offset some of the gains from the higher-margin product mix in the near term.	None	4.0	Cautious Realism
3	4.0	Disha / Sapphire Capital	Operations	Business Overview	"Are we facing any procurement issues for our key raw materials?"	Management confirmed no procurement issues due to 30-year vendor relationships, though they are bracing for further CRGO price hikes. Supply chain stability ensures that the H2 execution ramp-up is unlikely to be stalled by	None	4.5	Stable Supply

Q#	Rel	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred	Verdict
						material shortages.			
4	5.0	Disha / Sapphire Capital	Capacity	Business Overview	"What sort of peak revenue do we see from that plant [Unit 2]?"	The Kannur plant has a peak revenue potential of ₹200-250 Cr, bringing total group potential to ₹550-600 Cr by FY28. This provides a clear roadmap for SPEL to double its revenue over the next 24 months without major new capex.	None	5.0	Clear Roadmap
5	4.0	Mukesh / WC Securities	Timeline	Management Commentary	"What would be the execution timeline of this entire order book?"	Of the ₹565 Cr book, ₹353 Cr is scheduled for delivery before March 2027, though management conservatively guides for ₹200-250 Cr execution in H2. This discrepancy provides a "buffer" for customer-side project delays.	None	4.5	Conservative Timing
6	4.5	Paras Chheda / Purpleone	Cash Flow	Financials	"When do you expect [working capital] to normalize and turn cash flow positive?"	Management expects CFO to turn positive in H2 as revenue scales against a steady ₹60-70 Cr inventory base. Successful inventory liquidation will be the key driver for debt reduction in H2.	None	3.5	WC Watchpoint
7	4.0	Harinder Singh / Ind. Investor	Components	Business Overview	"Do you have dependency for these	SPEL is sourcing bushings for <220kV from India and only	None	5.0	Specific Detail

Q#	Rel	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Cred	Verdict
					bushings on China... deliveries are not impacted?"	negotiating with China for a few high-voltage orders, with delivery schedules secured. This mitigates the risk of long-lead-time component delays for the Power Transformer segment.			
8	5.0	Harinder Singh / Ind. Investor	Strategy	Management Commentary	"Do you have any plans to get into PGCIL?"	Management is currently preparing documentation and type-test certificates for PGCIL approval, aiming for completion within a year. PGCIL approval is the critical re-rating trigger that opens the high-margin 220kV private market.	None	4.0	Tier-1 Target

PATTERN FLAGS & SENTIMENT

Theme: The Conservative Guidance Gap A recurring theme was the gap between the ₹353 Cr of orders "required" by customers by March 2027 and the management's guidance of ₹200-250 Cr for H2. Management's posture was one of disciplined caution, repeatedly citing "customer-side timeline extensions." This suggests management is sandbagging to account for site-readiness issues common in government transmission projects, effectively setting a "floor" that they are highly likely to beat.

Theme: Working Capital vs. Growth Analysts expressed visible concern over the spike in inventory and receivables. Management remained confident that this is a "stepping stone" to ₹350 Cr revenue, arguing that a ₹60-70 Cr inventory base is a structural requirement for their current scale. The resolution of this concern depends entirely on H2 collection efficiency; any further stretch in the 60-90 day government receivable cycle will remain a primary analyst friction point.

Analyst Sentiment Verdict: Bullish with a Eye on the Balance Sheet The overall analyst mood was positive, buoyed by the 80% YoY revenue growth and the guidance upgrade. Management's credibility remains high as they were willing to admit to RM-driven margin pressure (9% floor) rather than projecting unrealistic stability. The most sophisticated queries focused on PGCIL and bushing sourcing, where management provided granular,

satisfactory answers. The single unresolved issue is the **FCF conversion**, which must improve in H2 to validate the "harvesting" phase of the capital cycle.

GUIDANCE GAPS REVEALED IN Q&A

Topic	What Mgmt Claimed (Prior Q)	What Q&A Revealed	Gap / Walk-back	Risk to Thesis
FY27 Revenue	₹250 – ₹300 Cr	₹300 – ₹350 Cr	**Guidance Upgrade.**	Low (Positive)
PAT Margin	10% – 12%	9% – 12%	**Lowered Floor.**	Low; RM driven.
Utilization	Implied fast ramp-up	Only 25-30% in H1.	Slower start in Unit 2.	Moderate; H2 back-ended.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter	This Quarter	Direction
Revenue Guidance	₹250 – ₹300 Cr	₹300 – ₹350 Cr	↑ Improving
PAT Margin Range	10% – 12%	9% – 12%	↓ Deteriorating
Geographic Reach	South India Focus	Entry into Maharashtra	↑ Improving
Product Mix	Power Transformer Focus	78% of Book is Power	↑ Improving
Working Capital	Hiring Phase	Inventory/Receivables Spike	↓ Deteriorating
Market Capability	132kV focus	Bidding for 160MVA / 220kV	↑ Improving
CFO Status	Neutral	Negative (Inventory build)	↓ Deteriorating

STOP HERE.