

Supreme Power Equipment Ltd — Sep 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Growth / Margin Expansion (Full Year FY24 vs FY23) **One-line:** SPEL is successfully pivoting from government tenders to private sector industrial/renewable demand, driving significant margin expansion, but the business is currently "consuming" its growth via a ballooning receivable cycle.

Dimension	This Quarter (FY24 Annual Baseline)	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	First Entry	Revenue grew 41.9% YoY; EBITDA grew 28.9% YoY (Standalone).	☐
Earnings Quality	Low (Working Capital drag)	Consolidated PAT of ₹14.30 Cr vs. negative OCF of - ₹13.94 Cr.	☐
Guidance Confidence	Neutral	Broad growth strategies provided; specific numerical targets absent in PPT.	☐
Management Credibility	Neutral	High technical expertise in board; execution on revenue growth is visible.	☐
Business Quality Signal	Improving	Diversification into Solar/Wind and private sector reduces tender-dependence.	☐
Key Q&A Exchange	PPT_ONLY: Not applicable	N/A	☐
The Street's Primary Anxiety	Working Capital Intensity	Trade receivables now represent ~58% of consolidated revenue.	☐
Capital Cycle Stage	Investment / Scaling	Post-IPO balance sheet used to fund massive inventory and receivable spike.	☐
Margin / Return Trajectory	Improving	EBITDA margins expanded from 7.39% (FY22) to 18.21% (FY24).	☐
Pricing Power	Stable	Realization per unit not provided, but shift to "Other than Govt" helps margins.	☐
FCF Conversion & Quality	Distorted	Cash flow from operations is negative despite high profitability.	☐
Competitive Moat Signals	Stable	Quality certifications and technical board members are standard for this scale.	☐
Balance Sheet Strength	Strong (Post-IPO)	Net worth jumped to ₹73.90 Cr; Debt-to-Equity is very low at 0.08x.	☐
Working Capital Efficiency	Deteriorating	Trade Receivables Turnover slowed from 3.08x to 1.87x.	☐
Mgmt Guidance Track Record	First Entry	No prior guidance to track.	☐
Key Vulnerability	Receivable Concentration	Top 10 customers represent ~80% of revenue; huge credit risk.	☐
Management Tone	PPT_ONLY: Not applicable	N/A	☐

Key Takeaways: * Positives: The business has achieved a significant scale-up, crossing the ₹100 Cr revenue mark with a healthy 18%+ EBITDA margin. The shift in revenue mix is the most critical fundamental change:

"Other than Government Tenders" now accounts for 65.07% of revenue (up from 19.78% in FY22), which explains the margin expansion. Exposure to Solar Transformers (₹8.03 Cr) provides a high-growth tailwind. * **Negatives:** Cash flow profile is concerning. The CFO-to-PAT ratio is -0.97 (Consolidated), indicating that profits are entirely stuck in the working capital cycle. Trade receivables doubled YoY to ₹65.66 Cr, growing much faster than revenue. * **The Street's Primary Concern:** While management highlights growth in renewables and infrastructure, the market will likely focus on the high customer concentration (79.68% from top 10) and the liquidity strain caused by the slow collection cycle from these large accounts. * **Forward-looking Watchpoint:** Monitor if the IPO-infused liquidity is used to fund further receivable build-up or if management can improve the collection cycle (DSO improvement) while maintaining current growth rates.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (FY24)	YoY Change	Trend	Mgmt Commentary (from PPT)
Revenue Standalone (₹Cr)	107.18	↑ 41.9%	↑	Volume growth driven by private sector demand.
Revenue Consolidated (₹Cr)	113.46	↑ 13.7%	↑	Includes contribution from subsidiaries.
EBITDA (Standalone) (₹Cr)	20.03	↑ 28.9%	↑	Improved product mix towards Solar/Power.
EBITDA Margin %	18.21%	↓ 173 bps	↓	(vs 19.94% in FY23) but significantly up vs FY22.
PAT (Standalone) (₹Cr)	14.00	↑ 29.4%	↑	Tax rate normalized; finance costs stable.
PAT Margin %	12.73%	↓ 116 bps	↓	Margin compression vs FY23 due to higher expenses.
ROCE (%)	24.71%	↓ 33.8%	↓	Diluted by post-IPO increase in capital base.
ROE (%)	18.95%	↓ 40.9%	↓	Diluted by equity infusion in FY24.
Cash Flow (OCF) (₹Cr)	(13.94)	↓ 365%	↓	Critical: Negative OCF despite profit.
Net Debt / (Cash) (₹Cr)	(3.81)	—	↑	Strong cash/investments post-IPO; low leverage.
Interest Coverage (x)	10.54	↑ 11.9%	↑	Coverage remains very comfortable.
Trade Receivables (₹Cr)	65.66	↑ 101.3%	↓	Growth significantly outpaces revenue growth.
Inventory (₹Cr)	20.18	↓ 1.1%	→	Inventory management appears stable.

2B. SEGMENT BREAKDOWN (Product Wise Standalone)

Segment	Revenue (₹Cr)	% of Total	FY23 Rev (₹Cr)	Trend	Key Development
Distribution & Energy Efficient	54.02	50.4%	41.19	↑	Mainstay segment; steady 31% growth.
Power Transformers	45.12	42.1%	30.00	↑	Rapid expansion; 50% growth YoY.
Solar Transformers	8.03	7.5%	3.82	↑	Emerging high-growth vertical; 110% growth.
Windmill Transformers	0.00	0.0%	0.20	↓	No contribution in FY24.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Risk Flag
Guidance	Revenue	Leverage 500 GW RE target & 81 thermal unit replacements by 2026.	Needs continued double-digit growth.	Execution on T&D spending.
Guidance	Margins	Technology upgradation & scaling relationship.	Maintain 18%+ EBITDA.	RM price volatility.
Guidance	Capex Plan	Continuous technology upgradation mentioned.	Not specified in ₹Cr.	Timing of investment.
Strategy	Geography	Expand geographical network (currently South India heavy).	Scale beyond TN/South India.	Regional competition.
Strategy	Client Mix	Continue to shift away from Govt Tenders.	Maintain >60% Private mix.	High receivable risk.
Macro	Industry	Indian Transformer Market CAGR > 5% to 2028.	SPEL outperforming market.	Policy shift in RE.

(Note: No Concall available; data derived from Strategy and Market Outlook slides.)

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.

EARNINGS QUALITY ALERT: The consolidated Cash Flow from Operations (OCF) for FY24 is negative (₹13.94 Cr) against a PAT of ₹14.30 Cr. This is a **197% divergence** from a neutral cash position. * **Working**

Capital Lever: The primary driver is the explosion in **Trade Receivables**, which increased from ₹32.61 Cr to ₹65.66 Cr (Consolidated). * **Implication:** The company is granting aggressive credit terms to its top 10 customers to drive revenue growth. This creates a liquidity risk despite the healthy P&L margins and post-IPO cash buffer.

STOP HERE.