Supreme Power Equip

Operator: Good afternoon, everyone. My name is Anjali Nair, on behalf of Kirin Advisors, and I welcome you all to the investor analyst meeting of Supreme Power Equipment Limited. From the management side, we have with us Mr. V. Rajmohan, the Chairman and Managing Director. Good afternoon, sir, and welcome.

Management: Very good afternoon.

Operator: From the investor side, we have Mr. Anshul Mittal from Tiger Asset, Mr. Mayur from Tijori Finance, Mr. Sahil Raj from Saundarya Capital, Mr. Jatin from Invest Avenue, Mr. Majid Ahmed from Pinpoint X Capital, Mr. Nishant Joshi and Ms. Shivangi Parekh from Equisents Advisors Private Limited, Mr. Varun from Fina Avenue, Mr. Gunit Singh from Countercyclical Investments, Mr. Nilesh Toshi from India Capital Markets, and Mr. Shubham Jain as an HNI.

To begin with, I will provide a short introduction about the company, after which I will hand over the floor to the management for more details. Supreme Power Equipment Limited is a Tamil Nadu-based transformer manufacturing company with over 3 decades of experience in the power equipment industry. The company was originally founded in 1994 as a partnership firm under the name Supreme Power Equipment and was later incorporated as Supreme Power Equipment Private Limited in 2005.

The company manufactures a wide range of power and distribution transformers catering primarily to electric utilities and renewable energy applications. It has developed specialized expertise in manufacturing transformers designed to withstand frequent switching operations and voltage fluctuations, particularly for wind energy installations where efficient power transfer from windmill generators to the grid is critical. Since inception, the company has manufactured and supplied more than 19,895 transformer units, reflecting its strong execution track record and established presence in the transformer manufacturing industry.

Moving towards financials: For 3 months FY24, the company reported total income of 36.03 crores, EBITDA of 5.28 crores, and PAT of 3.38 crores. For 9 months FY24, the company reported total income of 111.38 crores, EBITDA of 19.56 crores, and PAT of 12.78 crores. As I said earlier, I will now hand over the floor to Rajmohan sir. Over to you, sir.

Management: Good afternoon, everyone. Thank you for visiting our investor meet. Ms. Nair has explained very briefly, and I think it is better we go straight to the question and answer section.

Operator: Sir, it would be great if you could give recent updates for the company.

Management: Okay. The company started in 1994 and we have 3 decades of experience. We started with a very small investment in 2000, and it has gradually grown. In 2023, the company was publicly listed.

We have now gone for a big expansion costing slightly above 100 crores. The facility is ready for operation and was recently announced. Last year, our revenue was 140 crores. This year, it is expected to cross 180-190 crores.

Operations have started. It was expected in December, but there was a slight delay of 1 to 1.5 months in commissioning and completing the plant. Previously, we could do up to 25 MVA, 110 KV class. Now the capacity of the plant to manufacture, handle, and test is up to 160 MVA, 220 KV class. This is a short update, and I think we can go for the question and answer session.

Operator: Thank you, sir. Investors, the floor is now open for the Q&A session. Kindly raise your hand or drop your questions in the chat box. Mr. Priyanshu, you can go ahead and ask your question.

Priyanshu – Analyst: Am I audible?

Management: Yes, very well audible. You are welcome, sir.

Priyanshu – Analyst: Hi sir, congratulations on the recent update. In the recent quarter, the EBITDA margins are down to around 10%. We have been doing around 15-16% EBITDA margins. Can you share why there is a dip in EBITDA margins?

Management: Firstly, nearly 6 to 10 crores worth of material was fully completed but was waiting for customer approval to be sent and for us to receive payment. Because of the payment delay, we were not able to dispatch or invoice around 10 crores. This caused a drop in sales. There was also an increase in copper prices. The main thing is the revenue drop of approximately 10 crores which was expected to be billed in the third quarter; it was subsequently billed, but it remained as unbilled revenue in that specific quarter.

Priyanshu – Analyst: Going forward, what kind of EBITDA margins can we expect for Q4 and subsequent years?

Management: We can expect a PAT margin around 10-12%.

Priyanshu – Analyst: And on the EBITDA margin side?

Management: EBITDA will be more than 15%.

Priyanshu – Analyst: For next year as well?

Management: Yes. Next year, the revenue will also build up to 300 crores, so that will also rise.

Priyanshu – Analyst: And it will be due to the recent facility?

Management: Yes, that is because of the recent facility we opened. That facility will contribute almost 250 to 300 crores.

Priyanshu – Analyst: So the total capacity for the recent facility is around 300 crores, right?

Management: No. The total capacity will be around 600 crores. This current facility will contribute 100 crores and the new facility will contribute 200 to 250 crores. Totally, 300 to 350 crores will be next year's revenue.

Priyanshu – Analyst: For FY28, how are we planning to utilize that facility which has a production capacity of around 600 crores?

Management: We are expecting a 30-40% rise year-on-year.

Priyanshu - Analyst: We can expect that for the next 3 years?

Management: Yes, a 30-40% rise will be there year-on-year.

Priyanshu - Analyst: On the EBITDA margin side, you are saying 15% plus is sustainable?

Management: Yes, it will sustain.

Priyanshu - Analyst: Do we have any plans for capex over the next 3 years?

Management: As of now, we do not have any plan. Based on demand, we might be forced to consider it, but currently, we have no plan.

Operator: Thank you, sir. Mr. Nishant Joshi, you can go ahead.

Nishant Joshi - Equisents Advisors: Good afternoon sir. You have an order book of 300 to 310 crores. What is the execution timeframe?

Management: It is between 6 to 12 months.

Nishant Joshi - Equisents Advisors: Do you plan to build the order book beyond 12 months, or do you intentionally maintain it at 8 to 12 months for timely execution?

Management: These orders were taken before the commissioning of this plant, so we took orders beyond 9 months as well. Today's order book is approximately 339 crores.

Nishant Joshi - Equisents Advisors: If we differentiate between private parties and the government, I feel private parties would be more profitable while government realizations might take longer. Is that correct?

Management: We are majorly supplying to Tangedco and Tantransco now, and the payments from Tangedco are very good.

Operator: Welcome, everyone, to the quarterly earnings conference call of Supreme Power Equipment Limited. We have with us the management team to discuss the Q4 earnings and business outlook. We will start with a brief overview from the management and then open the floor for Q&A. Over to you, management.

Management: Thank you. Good afternoon, everyone. This quarter has been quite positive for us, and we have seen a significant jump in our business. Our revenue, compared to the same period last year, grew by 22%, and we reached total sales of 180 crores for the quarter.

Now I would like to tell you that our main focus area in the last 3 months has been successfully commissioning our new 220 KV factory, and it is already starting to contribute to our order book. Margins have been consistently in the range of 15%. Looking ahead, we expect sustained growth in the coming quarters due to the strong pipeline of domestic and international orders. We are also looking to further optimize our working capital, which should improve our cash position by the end of the next 2 quarters. Operator, we can now open the floor for questions.

Operator: Our first question comes from Rahul Sharma of HDFC Securities.

Rahul Sharma – HDFC Securities: Good afternoon and congratulations. You referred to orders where 112 crores are from the government and 227 crores are from private. That is about 33% government and 67% non-government. Is your existing plant running at optimum capacity?

Management: Yes, it is running at full capacity.

Rahul Sharma – HDFC Securities: Regarding the new plant, what capacity utilization do you foresee for the next 12 months?

Management: At least 30-35% or 30-40% capacity utilization.

Operator: Thank you. Mr. Nilesh, you can go ahead.

Nilesh – Analyst: Regarding your windmill transformers, what is the percentage of those in your total order book and sales?

Management: Now, windmill orders are very low; we are focusing more on solar.

Nilesh – Analyst: Can you elaborate on the reason? Is it competition?

Management: For windmill projects, customers generally place repeat orders, but the margins are lower on windmill transformers. That is the reason they are not prioritised in our order book.

Operator: Mr. Chitresh, you can go ahead.

Chitresh – Analyst: Are we on track to achieve 200 crores this year?

Management: This year we expected 200 to 220 crores, but unfortunately, because of the delay in completing the new plant, we did not get a contribution from it. Revenue will be anywhere between 180 to 190 crores.

Chitresh – Analyst: But next year we will be able to do 270 to 280 crores as expected?

Management: Yes.

Chitresh – Analyst: How is the working capital looking? Are you looking for a fundraiser?

Management: We are looking for a fund-base; we are negotiating with the banks. It is in process.

Chitresh – Analyst: What is the approximate quantum? 20 or 30 crores?

Management: It is not yet finalized.

Chitresh – Analyst: What is your current debt?

Management: There is a 40 crore term loan.

Chitresh – Analyst: Are banks increasing your limits because revenues are increasing?

Management: Yes, banks are increasing current limits. We are negotiating for higher limits and within the next month, we should get the sanction.

Chitresh – Analyst: With elections coming up in Tamil Nadu, do you see any disruption in business or collections in the next 2 months?

Management: We do not see any payment issues. Actually, I think we will get more orders before the election. This year, the government is processing very fast to release orders before announcing the election dates.

Chitresh – Analyst: How is the relationship with TNEB? Are you getting full payments within 60 days?

Management: Payment collection is very good. We are getting payments within 60 to 75 days.

Chitresh – Analyst: Is TNEB in good health now?

Management: Most of the utilities are in huge loss, but the payment system is good now.

Chitresh – Analyst: For the 160 MVA, 220 KV transformers in the new plant, have we done any sales yet?

Management: Everything is in place. We are negotiating with customers to procure orders.

Operator: Mr. Gunith, you can go ahead.

Gunith – Analyst: Good afternoon sir. How are your pricing contracts built up? Do you have price escalation clauses for raw materials like copper and steel?

Management: We take two types of orders. Government tenders generally have a delivery period of 9 to 18 months, and those include a price variation clause (PVC) with no ceiling. For private buyers, delivery is usually 3 to 4 months. If it goes beyond that, the price variation clause applies. For supplies within 2 to 3 months, we fix the raw material price on the same day we receive the order.

Gunith – Analyst: So there is a complete pass-through of raw material escalations?

Management: Yes.

Gunith – Analyst: What percentage of revenue comes from Tamil Nadu?

Management: Approximately 50% of the order book.

Gunith – Analyst: Which other states contribute?

Management: Karnataka's contribution is higher.

Gunith – Analyst: With competitors like Voltamp and CG Power expanding, is competitive intensity increasing?

Management: Demand is very huge. Last year our order book was 75 to 100 crores; this year it is 300 to 340 crores. There is another 100 to 150 crores of orders yet to be finalized. Expansion from all manufacturers will be met by this high demand.

Gunith – Analyst: Do you plan to expand to other states?

Management: We have already expanded to Karnataka and Kerala. We have L1 status in two tenders in Karnataka that should be finalized soon. We are rapidly expanding our geographical footprint.

Gunith – Analyst: What gives you an edge over competitors? Is it pricing or the USP?

Management: Our USP is quality. Since 2010, we have been supplying power transformers and not a single unit has failed till now.

Gunith – Analyst: Who are the competitors in these tenders?

Management: In Tamil Nadu, we compete with a few unlisted companies and Indotech. In Karnataka, there are many other suppliers.

Gunith – Analyst: Is your pricing at a premium?

Management: It is at par or slightly higher.

Gunith – Analyst: Will the new capacity have higher-margin products?

Management: The product profile will be more premium. We are moving from 25 MVA, 110 KV class to 160 MVA, 220 KV class. However, we expect margins to remain at similar sustainable levels.

Ajeet – Analyst: Good afternoon sir. What is the asset turnover you are looking at with the current capex? What is the peak revenue?

Management: We spent 100 to 105 crores. Peak revenue from the new facility will be 550 to 600 crores. We expect to reach 90% utilization within 2 to 3 years, with a 30-40% revenue increase year-on-year.

Ajeet – Analyst: So 70-75 crores of PAT by FY29 is achievable?

Management: Yes, we are expecting that.

Ajeet – Analyst: Is it a challenge to maintain 10-12% PAT margins?

Management: It is a challenge because many players quote lower prices, but we believe 10-12% is sustainable.

Operator: We have a question in the chat box from Mr. Majid regarding updates on international markets.

Management: We were trying to market in Saudi Arabia and the UK, but nothing has materialized yet. We have not been able to get a perfect connection with those markets, but we are still trying.

Ajeet – Analyst: Do you see the demand cycle continuing for the next 3 to 5 years?

Management: Yes, for a minimum of 5 years. There is a global demand for transformers and power sectors.

Ajeet – Analyst: What are the current challenges?

Management: Acquiring skilled workers and experienced managers is the challenge now.

Ajeet – Analyst: Incremental investment will mostly be for working capital?

Management: Mostly from internal accruals, IPO proceeds, and bank debt.

Ajeet – Analyst: If you are moving to higher-value products, shouldn't margins be higher?

Management: Ideally, high-voltage transformers should command 1-2% higher margins, but the overheads required to manufacture them eat away that difference. We expect margins to sustain at the same level.

Ajeet – Analyst: How long does it take to close a tender?

Management: It is not in our hands. Government processing can take 3 months to a year. For private customers, decisions are faster.

Ajeet – Analyst: What is your pipeline?

Management: Our pipeline is more than 700 to 800 crores. Our success rate is 10-20%, so we expect to secure another 100 to 200 crores this year.

Operator: Mr. Majid is asking about key risks to margins.

Management: We do not see significant risks, except for the global availability and geopolitics of CRGO supply.

Varun – Analyst: Sir, what would typical gross margins be?

Management: We were talking about EBITDA, but gross margin is around 20-25%.

Varun – Analyst: Are you being conservative when assuming margins will stay stable despite economies of scale?

Management: COGS is around 70%. About 10% is overheads and interest. I am being a little conservative, but we find the current margin levels to be the most sustainable.

Varun – Analyst: Working capital intensity would remain similar for the new product category?

Management: The manufacturing cycle for larger power transformers is 3 to 4 months compared to 2 months for smaller units. As we target 300 crores next year, there will be a corresponding rise in working capital. Usually, working capital is 20-25% of revenue.

Operator: Sir, we have covered most of the questions. Can we conclude the meeting?

Management: Yes, please.

Operator: Thank you Rajmohan sir and everyone for your time.

Management: Thank you very much for showing interest in our company.

Note: {? ... ?} indicates a figure where audio clarity was

insufficient for confident transcription. Verify against the

source audio or the company's published filings.

Management Tone Assessment

This is an AI-generated qualitative assessment based on speech patterns, language choices, and response behavior observed in the audio. It is opinion, not fact, and should be read alongside the company's published filings and financial data.

Tagged Observations

Topic	Tag	Observation
Q3 EBITDA Margin Compression	**DIRECT**	Management provided specific causal reasons: a revenue mismatch (ready goods not invoiced), unbilled revenue, and specific raw material (copper) price increases.
Future Margin Guidance	**DIRECT**	Answered immediately with specific percentages (15%+ EBITDA, 10-12% PAT) and linked it to the new facility's scale benefits.
New Plant Delays	**HESITATED**	Management admitted to a 1.5-month delay in plant completion, being direct about the shortfall while expressing operational regret.
Fund Raising / Debt	**DEFLECTED**	Multiple analyst questions about the specific quantum of fundraising were met with "not yet finalized." Management appeared guarded regarding capital structure specifics.
Competitive Intensity	**DIRECT**	Dismissed competition concerns by highlighting the market size and massive demand gap.
Quality Control	**DIRECT**	Pointed to a concrete track record of zero failures since 2010 as their primary USP.
International Expansion	**DIRECT**	Admitted that nothing has materialized yet in Saudi Arabia or the UK. Avoided promotional rhetoric.

| Margin Expansion | **DEFLECTED** | Probes regarding operating leverage and margin expansion were met with a rigid "we are conservative" stance without engaging in the financial logic of fixed-cost scaling. |

| Working Capital Intensity | **DIRECT** | Provided specific percentage guidance (20-25% of revenue) and linked it directly to the longer 3-4 month manufacturing cycles for larger units. |

Topics Where Management Was Most Evasive

1. Capital Structure and Fundraising Quantum:

Management was notably uncomfortable disclosing the specific amount of funding they were looking to raise, repeatedly stating the process was "not finalized" and "under negotiation."

2. Operating Leverage and Margin Upside:

When asked if increased scale would lead to higher margins, management defaulted to being "conservative" rather than discussing how fixed costs would be absorbed. They seemed to prefer lowering expectations on profitability to ensure they hit their targets.

Topics Where Management Was Most Direct

1. Operational Mechanics and Capacity:

Management spoke with high authority regarding peak revenue potential (600 crores), implementation timelines (2-3 years for full utilization), and manufacturing cycles.

2. Raw Material Pass-Through:

The explanation of the Price Variation Clause (PVC) in government contracts and price fixing for private contracts was clear and demonstrated a disciplined approach to risk management.

Overall Impression — Conservative, Operations-Focused Management

Management communicates like business operators rather than financial engineers. They are highly transparent about operational successes, quality metrics, and even failures (like the plant delay or international traction). However, they are notably guarded regarding the balance sheet and margin expansion, choosing to stick to "sustainable" 10-12% PAT figures despite the move into premium products. The tone is grounded, realistic, and refreshingly devoid of typical corporate buzzwords.