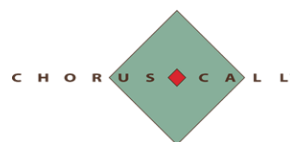




“Supreme Power Equipment Limited
H2 FY '24 Earnings Conference Call”

May 28, 2024



**MANAGEMENT: MR. VEE RAJMOHAN -- CHAIRMAN AND MANAGING
DIRECTOR -- SUPREME POWER EQUIPMENT LIMITED**

MODERATOR: MR. GANESH – KIRIN ADVISORS



Moderator: Ladies and gentlemen, good day and welcome to H2 FY '24 Earnings Conference Call of Supreme Power Equipment Limited, hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ganesh from Kirin Advisors. Thank you and over to you.

Ganesh: Thank you. On behalf of the Kirin Advisors, I welcome you all to the conference call of Supreme Power Equipment Limited. From management team, we have Mr. Vee Rajmohan, Chairman and Managing Director.

Now I hand over the call to Mr. Vee Rajmohan. Over to you, sir.

Vee Rajmohan: Yes, thank you. Thank you, Ganesh. Good afternoon everyone. Thank you for joining us today for the Supreme Power Equipment Limited Earnings Conference Call for the second half of Financial Year '24. I am delighted to share our financial results and key achievements for this period, as well as provide a brief overview of our company's background and mission.

Supreme Power Equipment Limited, based in Tamil Nadu and founded in the year 1994, established in the year 1994 itself as one of the key players in the manufacturing of power and distribution transformers. With over 29 years of industrial experience, we have become a prominent supplier to local electricity Board. Our expertise extends to the windmill segment, where we craft transformers designed to withstand switching challenges and voltage fluctuations.

Renowned to our commitment to quality and reliability, we have a strong track record of having manufactured and supplied over 15,000 units. Our current order book stands around INR60 crores positioning as to leverage raising opportunity in the transformer industry with a focus on innovation and precision in design. Our company is dedicated to achieve customer satisfaction by providing quality product by an effective quality management system.

We aim for 100% delivery performance on a continual basis and strive to achieve zero rejection at the customer end. Our current production capacity is 2,500 MVA per year, housed in a facility spanning 14,000 square feet. We have also initiated expansion to accommodate larger power transformers ranging from 150 MVA to 160 MVA, increasing our production capacity to 9,500 MVA per year, approximately from 9,000 to 9,500 MVA per year.

This expansion will enable us to supply larger power transformers to meet the growing demand for our product by laying better profitability, being the higher capacity transformer. Our strategical focus on the upcoming period, including several key initiatives aimed at driving growth and strengthening our market position. We are committed to continuous enhancement of our technological capability by investing in larger advancement and incorporating initiative solutions.



We aim to improve our product offering, increase efficiency and maintain our competitive edge in the industry. We capture new market and serve a broader customer base. We are focusing on expanding our geographical footprint and this involves creating a new region and strengthening our presence in the existing one.

By doing so, we aim to increase our market share and tap into emerging opportunities in the power sector, power infrastructure sector, building and building a strong clientele relationship remaining to the top priority. We strive to understand our client uniquely and provide tailored solution that exceeds their, which exceeds their expectation.

We aim to enhance our customer satisfaction and loyalty, increase demand for power infrastructure and significant growth opportunity for our company. We are strategically positioned to capitalize this trend by offering high quality transformer that meet the evolving needs of the market. Our focus on innovation, precision in design and operational excellence will enable us to cater the rising demand efficiently, effectively.

Our deep industry knowledge and establishment, established relationship with the key stakeholders give us a competitive advantage. We will leverage these assets to identify new business opportunity, negotiate favourable terms and try to grow. By increasing our market skill and network, we aim to create value for our stakeholders and reinforce our real estate position.

In addition, we aim to balance our revenue model equally between the government and the private entities. This balanced approach allows us to cater to both the local utility and the private companies, ensuring a diversity and stable revenue stream. By working towards a 50-50 revenue model, we mitigate risk associated with market fluctuation and enhance our financial stability.

These strategical initiatives are designed to position Supreme Power Equipment Limited for sustained growth and success in the dynamic transformer industry. As we move forward, we remain committed to our core value of quality, innovation and customer satisfaction, driving us towards our mission of being a leading manufacturer of power and distribution transformers.

Now, let us go into the financial performance highlights for the second half FY'24 and the full fiscal year. For H2 FY'24, our total income was INR60.99 crores, reflecting a year-over-growth of 15.97%. Our EBITDA stood at INR12.94 crores, representing year-over-year growth of 24.55%, with an EBITDA margin of 21.21%, up to 146 basis points. The profit after tax was INR7.71 crores, marking a yearly growth of 17.5%, with a PAT margin of 12.64, an increase of 11 basis points year-over-year, and an EPS of INR3.02.

For the full fiscal year, FY'24, the total income was INR113.59 crores, showing a year-over-growth of 13.69 percentage. The EBITDA was INR23.33 crores, reflecting a year-over-year growth of 27.43%, with an EBITDA margin of 20.54 percentage, an increase of 221 basis points. The PAT for the year was INR14.3 crores, indicating a year-over-year growth of 29.05%, with a PAT margin of 12.59 percentage, up by 150 basis points year-over-year, and



an EPS of INR5.6. These results reflect our dedication to operational excellence and our commitment to delivering value to our stakeholders.

As we move forward, we remain focused on our strategic innovatives and our confidence in our ability to continue driving growth and profitability. Our venture into the windmill segment, as well as larger power consumers, will enhance our ability to serve a new set of clients, will enhance our bottom line.

Before we dive into the question-and-answer section, I want to express my sincere gratitude and thanks to all our stakeholders for being an integral part of our growth journey. Your support and involvement have played a crucial role in our success, and we genuinely appreciate your valuable contribution.

With this, I would like to open the floor for question-and-answer session and thank you once again for your patience and continued support.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take a first question from the line of Jinesh Sipani from Niveshaay Investment Advisors. Please go ahead.

Jinesh Sipani: Congratulations, sir, for such a good set of numbers. As I saw in your filing you have made, you are doing capex from 2,500 MVA to 9,000 MVA. So what is the cost of this capex?

Vee Rajmohan: It's around INR65 crores.

Jinesh Sipani: INR65 crores. And we'll be...

Vee Rajmohan: Yes, it will be around INR60 crores to INR65 crores, yes, sorry.

Jinesh Sipani: And we'll be ramping up this capacity by when?

Vee Rajmohan: December of next year.

Jinesh Sipani: December of next year. Okay, December '25

Vee Rajmohan: Yes. Of course, we are planning to do commercial production in mid of next year. So commercial production will come to the commercial production in December next year. That is 25 December.

Jinesh Sipani: 25 December, okay, fine. And sir, what is the current capacity utilization?

Vee Rajmohan: Current capacity utilization is around 30% to 35%.

Jinesh Sipani: How much?

Vee Rajmohan: 30% to 35%.

Jinesh Sipani: 35%. And sir, what do you think -- what could be the peak revenue which we can do with the new capacities coming in?



- Vee Rajmohan:** That capacity, that is revenue. You are asking about the revenue. It should be more than INR600 crores when the full capacity runs.
- Jinesh Sipani:** So by which year we can target for INR600 crores of revenue, by FY'26?
- Vee Rajmohan:** No. Year-on-year, there will be a 10% to 30% increase will be there. Based on that, we will have...
- Jinesh Sipani:** Okay. And sir, what growth guidance would you like to give for next two to three years?
- Vee Rajmohan:** Yes, that is what I am trying to say. Minimum 10% to 30% increase will be there. Year-on-year growth will be there.
- Jinesh Sipani:** And sir, could you please clear what is your segment bifurcation? How much is from power and how much is from distribution transformer?
- Vee Rajmohan:** Actually, based on last year supply, it's almost -- the percentage, that is power did up to 600 MV last year and distribution is something around 150 MV.
- Jinesh Sipani:** Okay.
- Vee Rajmohan:** This is what we did last year, yes.
- Jinesh Sipani:** And sir, I was seeing we -- since FY'23 and '24, we have basically increased our margins when we compared to the prior figures from FY'22 and past. So what led to this margin increment from, let's say, 7%-8% to 17%-16%?
- Vee Rajmohan:** Yes. See, we were in the market for more than -- that is in private market, we were in the market for more than 10 years. That is, from 2010, we started private market. And we were very aggressive from 2010 to 2020. And those times, we were mainly focusing on capturing the -- broadening our clientele base. And we need to increase our client base -- customer base.
- And we need to establish our product. It's zero failure. So, we need to prove that and we establish our presence in those days. After that, from 2020-2021, from 2022 onwards, we started booking orders with higher margins. That is one part. Second, we designed the transformer and we have strengthened our design team to maximize, that is, optimize the design.
- So, there also, we have gained something. So, these are the two major points. Last two-three years only, we started mainly focusing on profit. And we are emphasizing this period to harvest length.
- Jinesh Sipani:** So, can we see these kinds of margins going forward?
- Vee Rajmohan:** Yes, there is a very good demand for this product. At least for next five-six years, as per the market information, next five-six years, there is a very good demand. So, we can -- we'll be able to sustain this margin.



- Jinesh Sipani:** Sir, you mentioned that you will be incurring capex of INR60 crores-INR65 crores. But how will you source this capex because there is no cash on books? And will you be taking debt or equity? Could you please clarify on that point?
- Vee Rajmohan:** Yes. Actually, we came into this IPO in December. December last year end only, we came into IPO. And the IPO funds are there. And that will be something around INR40 crores. And some INR20 crores from the internal accrual, we have to take it from the internal accrual. And if there is any small need, then we have to go for debt.
- Jinesh Sipani:** Okay. And sir, could you please also mention who are the competitors on similar funds with whom you compete?
- Vee Rajmohan:** Yes. Actually, here very few listed companies are there. One is in the state of Tamil Nadu. One is Indo Tech Transformers. Another is Andrew Yule & Co. Ltd. It's almost a government-based company. And few other small players are there in with our capacity.
- Jinesh Sipani:** Okay. And sir, when are we...
- Vee Rajmohan:** Yes. When we complete our new expansion project, then we will be comparing ourselves with DHL and other companies. Looking more bigger companies.
- Jinesh Sipani:** Okay. And sir, one last question. You mentioned that we incur the capex by the way of funds received from IPO. But when I see your books, so there is hardly INR0.05 crores of cash. And capital work in progress is just to the tune of INR17 crores. So I don't see any sufficient balance on books from which we can...
- Vee Rajmohan:** These things – it's been, we have made the other discount facilities in zero condition.
- Jinesh Sipani:** Sorry, sir. Can you please elaborate?
- Vee Rajmohan:** See, there are other limits we have. Like bill discount, which we have to receive from the reservoirs, which we have to receive from utilities. That has been discounted with the bank. There, that limit has become zero. We have not cleared the limit, but we have reduced the limit. So, it is there. Whenever we want, we can get the money from there. Other facilities, they are neutralized.
- Jinesh Sipani:** Okay. And sir, one last question. When the entire industry players are guiding for at least 20%-25% growth in this segment, then why are we just guiding 10%-13% growth? Isn't that a small number of growth when the industry...
- Vee Rajmohan:** Not 10-13. It is 10-30. 3-0.
- Jinesh Sipani:** Okay. Got it, sir. Thank you.
- Vee Rajmohan:** Thank you.
- Moderator:** Thank you. We will take our next question from the line of Vivek N an Individual Investor. Please go ahead. Mr. Vivek, please go ahead with your question.



- Vivek N:** Yes, thank you. See my question is, you have posted good results, 30% or 35% on average, top and bottom line. And according to your EPS has also got adjusted on a larger base of equity share. I'd like to understand in some detail what could be the trajectory of growth in the next one or two years given the increasing focus on infrastructure and electricity and also the fact that there is a deficiency of energy across the country?
- Vee Rajmohan:** Yes, there is the -- yes. Can I proceed?
- Vivek N:** Yes, sir. Please, please.
- Vee Rajmohan:** So, actually there is a steep increase in demand for the entire power infrastructure. Because this government of Tamil Nadu and government of India, they have allotted more funds towards this project, this sector. And based on that, there are a number of projects that are coming up. So, there is a demand for at least for a minimum three to five years, the demand will persist. And our revenue growth will be minimum from 10% to 30%, year-on-year growth will be there. When it comes to the new factory, it will be a little higher.
- Vivek N:** Sir, is 10% too conservative, lower band range? Because given the breakaway speed and plus you are also a relatively smaller company, you should be able to get higher growth related to the peer group?
- Vee Rajmohan:** Yes, what you said is correct. Actually, last year, actually we planned for a minimum of 20-25% growth. And when there was a flood in December, our revenue got a minimum of INR10 crores to INR15 crores. So, I am just saying in a very safe way that I should not give any wrong or rosy figures. So, I am just telling that 10%, 10% to 30% will be great.
- Vivek N:** And this is for the next few years, up to five years?
- Vee Rajmohan:** Next two years, one now, next two or two and a half years.
- Vivek N:** And you are largely focused in South of India, in space?
- Vee Rajmohan:** Yes, mainly we are well positioned in state of Tamil Nadu. Now we got approvals some technical approvals and approvals from Karnataka state. So, now slowly we are able to cater in Karnataka state and we already - we have posted a tender in states of Karnataka, sorry, Kerala state [inaudible 26:41] for 20 MES. This tender is in progress. So we are slowly moving out of Tamil Nadu.
- Vivek N:** Sir very good. Thank you. So finally who are the other peers in the industry that one can compare Supreme with in terms of relative performance?
- Vee Rajmohan:** Yes, as of now end of SEZ, but now they are bigger than us too bigger than us and you can compare with that, but other few unlisted players are here and here we are mainly placed in Tamil Nadu on capacity wise.
- Vivek N:** Okay. Thank you, sir.



- Moderator:** Thank you. We have our next question from the line of Yashvanti from Kojin Finvest. Please go ahead.
- Yashvanti:** First bookkeeping question were you able to maintain the margin of around 20%, 20% plus as you reported is around 21%
- Vee Rajmohan:** This is actually this is mainly we have optimized our design and we have strengthened our purchase team. Very recently we have strengthened our one year back we have restructured our purchase team and design team and our overheads is little less when compared to big players. So we are able to maintain this quantum of profit.
- Yashvanti:** So we can see that even the 21% can be possible even going forward?
- Vee Rajmohan:** Yes. We are also looking for that.
- Yashvanti:** Sir, in your last con call you mentioned about your exposure to the wind sector as well as the solar sector. Can you tell us about what is the development happening at the wind?
- Vee Rajmohan:** No, wind it's not sounding well now, but the solar as you know development in the energy sector. Now most of the projects coming out is majorly from solar only and we have supplied something around near about 100 MVA to solar last year.
- Yashvanti:** Okay. So now the focus will be on the traditional power manufacturing that is the traditional transformer which we used to supply and solar power?
- Vee Rajmohan:** Sorry madam, I could not hear you.
- Yashvanti:** Here on the focus of the company would be to supply the traditional power transformers which we used to supply to the power industry as well as the solar industry?
- Vee Rajmohan:** Yes. We are focusing on both and we are restricting ourselves to maintain the margin. Generally we are not taking all the orders. Though we are quoting 10 times more than the revenue which is made, we are very much choosing getting converting the orders purely based on the profit. So that is a barrier for us.
- Yashvanti:** Sir, but when we are operating under 30%, 35% capacity utilization then the volume will not play a game for us when you have an enquiry for such a good order book?
- Vee Rajmohan:** As of today our order book is around INR60 crores and that is minimum 3 months, 4 months order book we shall have in our hand. And we are looking for -- we are giving more importance to the margin based orders.
- Yashvanti:** And what is your order book or what is your order pipeline for your higher MVA capacity transformer which you said you wanted to focus on going forward? Where is the capacity expansion happening?



- Vee Rajmohan:** Yes after capacity expansion happened we will be able to make up to 160. Actually now we are -- our present capacity of handling transformer capacity is up to 25 MVA. And we are planning to make bigger transformer from 25 MVA to 150 MV from the new plant.
- Yashvanti:** Sir, you also mentioned sometime back that you also wanted to look into the overseas market. So, any steps towards that, any orders?
- Vee Rajmohan:** Yes currently we have tried with a Kenyan partner and that's not able to succeed because of some payment terms and other things are not suitable for us to operate with them and in Saudi also we have tried and we have finalized a channel partner and that also due to the spread disturbance and all. So we have to relocate somebody but nothing happened on that.
- Yashvanti:** Sir going forward your focusing on a domestic market or you still targeting export market?
- Vee Rajmohan:** No. We are trying to grab the opportunity and trying to do that. As of now domestic order is full of -- this INR60 crores order is full of domestic order and something less than a crore is export.
- Yashvanti:** And for any new clients who have been added to your hold in the last 6 months till date?
- Vee Rajmohan:** Sorry madam. I could not - sorry I could not.
- Yashvanti:** Any new clients have been added to your portfolio?
- Vee Rajmohan:** Yes we have added [inaudible 33:28] and the new solar companies we have added. Very recently also we got INR11 crores order from a solar company. It's a new from our client base and we are expecting
- Yashvanti:** In your order book of around 60 crores which is there in your hand how much would be from the solar?
- Vee Rajmohan:** It's around 10% is from solar.
- Yashvanti:** And sir would it be right for you in this forum to tell me -- to explain what is the margin difference between the solar and the traditional power transformer?
- Vee Rajmohan:** Solar and power transformer, there is the same margin. Then the distribution. Okay.
- Yashvanti:** Thank you so much, sir. And wish you all the best. I'll join back in a queue.
- Vee Rajmohan:** Thank you. Thank you, madam.
- Moderator:** Thank you. We'll take our next question from the line of Rajesh Singla from VTG Capital. Please go ahead. Rajesh Singla, please unmute your line and go ahead with your question.
- Rajesh Singla:** Hi. Hello, sir. Good afternoon. Can you hear me now?
- Vee Rajmohan:** Good afternoon, sir.



- Rajesh Singla:** So, regarding the order book, so INR60 crores order book you have. By when this order book would be executed? How many months this would be executed completely?
- Vee Rajmohan:** Yes, 60% will be completed in the next 3-4 months. And this 40% is from government orders. This will be extended for the next 9 months.
- Rajesh Singla:** Okay. And the second question would be, as you're guiding for, so your current capacity utilization is 35% and you're guiding for 10%-30% growth year on year for the next couple of years. So, it seems that you will not be able to completely utilize your existing capacity even when your new capacity becomes operational. So, any plan to grow at a faster rate given that small scale you have and I think 10%-30% growth rate which you're telling looks unimpressive for our scale and the tailwind what we have in the industry.
- Vee Rajmohan:** Actually, here we have capacity of 2,500 LEA and the handling capacity of individual transformer is not more than 25 LEA. And that is the reason we are going to make this bigger type of transformer. There we are getting little more margin and number of players also less and they are making larger power transformer. So, though there is a gap in the existing capacity, we are going for a bigger capacity for making higher, larger power transformer. That is the reason we are going for a bigger expansion.
- Rajesh Singla:** Okay. So, if I understood it correctly, so the demand for your existing capacity or the transformer which you're producing currently is not going that rapidly as the whole industry because I think the whole industry growth is more driven by the larger or more efficient transformer which you are planning to produce from your new capacity, right?
- Vee Rajmohan:** Yes.
- Rajesh Singla:** Thank you, sir. Thank you, sir. Thank you.
- Moderator:** Thank you. We'll take the next question from the line of Jinesh Sipani from Niveshaay Investment Advisors. Please go ahead.
- Jinesh Sipani:** Yes. Thank you for the opportunity. Sir, could you please give us the breakup of private and government utility for this year and what you are targeting in FY24? What was there in FY24 and what you are targeting in FY25? Yes.
- Vee Rajmohan:** Actually, FY24, government, yes, the non-government and government, yes. See, the power transformer from government is around the 20, 180, 85, 200 mA we are getting.
- Jinesh Sipani:** Okay, 200 mA. 200 mA for government.
- Vee Rajmohan:** Yes, yes. For government and non-government is around 350 mA. In power transformer, yes, power transformer. And from distribution is something around 50 mA in, yes, 50 mA distribution transformer from government and non-government is around 70 mA.
- Jinesh Sipani:** How much? This is for distribution part.
- Vee Rajmohan:** 17?



- Jinesh Sipani:** Okay. And, sir, what are the margins which you get from government and non-government?
- Vee Rajmohan:** Normally, this government, that is, there is not a fixed yard for that. See, generally, we used to quote with 20%-25% margin for government and non-government. And only after processing of the tender, we will be able to see someone comes as a L1 and if we want to get that order, we need to match that price, that L1 price. So, that margin may fluctuate.
- Sometimes in government, we will get more and sometimes there will be very less. So, it will be according, it will be at the time of deciding how many vendors, how many bidders are there and how strong they are, how willing they are, willing to take the order. So, based on that, the margin will be decided.
- And generally, on private, 20%-25% margin on negotiation.
- Jinesh Sipani:** And you wish to maintain this similar line of margins going forward?
- Vee Rajmohan:** Yes, yes, yes. We are trying hard to maintain this margin.
- Jinesh Sipani:** Okay. And, sir, just a basic question of what is the maximum range of transformers which you can make now in post capex?
- Vee Rajmohan:** And now, we are able to make, our capacity is able to make from 16 KVA to 25 MVA. That is 110 KV class. After this, we can do now. And in the new capex, from 25 MVA to 160 MVA, we can make. That also 230 KV class.
- Jinesh Sipani:** Up to which KV class?
- Vee Rajmohan:** 230.
- Jinesh Sipani:** 230 KV. So, now it is 110, then we will go to 230.
- Vee Rajmohan:** Yes.
- Jinesh Sipani:** Okay, okay. Thank you, sir.
- Vee Rajmohan:** Thank you.
- Moderator:** Thank you. We have our next question from the line of Jignesh Vayda from Jiva Capital. Please go ahead.
- Jignesh Vayda:** Yes, sir. As you had discussed in earlier call, like we are making up to 25 MVA, but we have new capacity. It will take time to make this higher range of transformers.
- Vee Rajmohan:** Correct.
- Jignesh Vayda:** So, it will be only after FY26 that we will be able to start making this higher capacity transformers?
- Vee Rajmohan:** Yes.



- Jignesh Vayda:** After 18 months or 20 months?
- Vee Rajmohan:** Actually, we will be able to make bigger transformer in a full-fledged manner in the new capex. That is, when it is completed, we will be able to do in a full-fledged manner.
- Jignesh Vayda:** Sir, even after your capex, it will take time. People will come and evaluate the facilities. So, I think around 6 to 12 months after your capex is complete that you will be able to take these bigger orders.
- Vee Rajmohan:** Yes, that is what I am trying to answer you. Though we have the capacity of making 25 MVA only now we took order for 50 MVA.
- Jignesh Vayda:** Okay.
- Vee Rajmohan:** 50 MVA. Though we don't have the capacity fully which we can do it here we have taken the major 70%-80% of the product will be completed here. And some of the process we are completing from outside. We are using other side facility. This is to cut down this lead period to generate enquiry. See, already we got 50 MVA order. And last month, in the month of January or February we got 50 MVA order. And this is 90%-95% almost for work. So, just testing is going.
- So, it will be dispensed in next month that is in the month of June. So, these are the steps which we are taking to cut down the period. So, while we are going there instead of starting from 25 MVA we can start it from 50 MVA. And that process is also there. These coming buyers and big order buyers they will come, they inspect, they will approve our facility. And these things will happen after the completion of the resources.
- Jignesh Vayda:** So, conservatively, how fast we can move from 50 MVA to 160 kind of order?
- Vee Rajmohan:** Minimum, 12 months.
- Jignesh Vayda:** Minimum 12 months, we can start taking orders?
- Vee Rajmohan:** No, what you asked me, how much time it will take to make from 50 MVA to 160 MVA. That is your question, right?
- Jignesh Vayda:** Yes, you are correct.
- Vee Rajmohan:** It will take minimum one year. In between 60 MVA is there and 50 MVA number of transformers we can make. And 25 MVA number of transformers we can make.
- Jignesh Vayda:** Okay, thank you.
- Moderator:** Thank you. I will go to the next question from the line of Nikhil Agarwal from VT Capital. Please go ahead.



- Nikhil Agarwal:** Good evening, sir and thank you for the opportunity. Sir, could you please explain the increase in trade receivables? We have seen some trade receivables going up by almost 100% year-on-year. So, could you please explain that?
- Vee Rajmohan:** Yes. Actually, last 23 there was trade receivables. See, at that time the utilities, they were paying little faster than compared to 24. So, this year there was an increase when compared to 23 and 24. 24 is little higher. So, this is being -- this can be mitigated. Now, it will be mitigated because now we are -- our bills are routing through TREDIS. Earlier the payment was made directly from the utility on their own wish.
- Maybe in 3 months, 4 months, 5 months they will make. And some through special channel we'll be able to get sometimes an earlier or -- and sometimes we'll get it 3-4 months. And now, there is a system called the TREDIS. Tamil Nadu electronic discount system is there. It's inaugurated by the Chief Minister. And now, all the bills are being purchased through them. And it is routed through them. So, we'll be getting the payments within 60 days from the date of supply.
- Nikhil Agarwal:** Okay. And this can be attributed to government orders only, right? The increase in trade receivables.
- Vee Rajmohan:** Yes. Absolutely correct. This is... Yes.
- Nikhil Agarwal:** Yes. So, what was the name of the board that you said Tamil Nadu electronic?
- Vee Rajmohan:** No, not TNEDS. Tamil Nadu electronic discounting system.
- Nikhil Agarwal:** Okay. Yes. When did this come in?
- Vee Rajmohan:** No, it started in... Actually, this was started in the month of September last year. And we have not gave our bills to them. Because we thought we will be getting -- See, why we want to push 3-4 months. We thought we will be getting the payment directly to some channel. So, we were not able to get the payment on time. So, now we -- From February, from March we have started giving all the bills to TNEDS. And slowly they have released also some more -- 50% of the receivables they have released now. Apart from this.
- Nikhil Agarwal:** Okay. And any consideration to -- Do we need to give them any consideration or interest cost or anything because of this?
- Vee Rajmohan:** Any consideration means? Any consideration of what?
- Nikhil Agarwal:** I mean on the total bill; do we need to give them a percentage of the amount we have received or something?
- Vee Rajmohan:** Yes. It is discounted in a platform where so many banks will be there.
- Nikhil Agarwal:** Okay.
- Vee Rajmohan:** So, on that platform, any bank can purchase our bill. And they will make payment.



Nikhil Agarwal: Okay, understood. And do you also plan to... Sorry?

Vee Rajmohan: This is also without recourse.

Nikhil Agarwal: Okay. Understood. And, sir, do you also plan to get into electric arc furnace transformers going forward? Like, we had a PO who just reported that they supplied electronic arc furnaces, electric arc furnace transformers to a steel company.

Vee Rajmohan: Sir, I would not... It's not fairly arguable. Can you repeat the question?

Nikhil Agarwal: Sure. Sir, do you also plan to get into electric arc furnace transformers going forward?

Vee Rajmohan: Yes, sir. As of now also, we have also supplied electric furnace transformers. And last year, there is no enquiry for that. We didn't get any. And we have the technology and we have proved and we have done. Already we have done.

Nikhil Agarwal: Okay, understood. And, sir, we can... Once the capex comes in, it's supposed to commence production from April 2025, right?

Vee Rajmohan: No. See, this expansion will complete in the month of December 25. So, we can directly... We can go from there. So, now there is trial and machinery erection and everything. We need to take an erection of these machineries, trials and... These things will go on from April to December. So, from December, we can do the production.

Nikhil Agarwal: December 2025, we can start the production. And we can directly start supplying to the private customers, the 160 MVA plus transformers?

Vee Rajmohan: Yes, we can do.

Nikhil Agarwal: Okay. But only for the government, we have that clause?

Vee Rajmohan: No. This is for private customers also. This is windmill, larger wind farms, larger solar farms, they will buy. Already they have enquired. We are not able to give.

Nikhil Agarwal: okay. And what is the government private order book mix currently?

Vee Rajmohan: Private order book is around -- One second. Yes, 40% is from government and 60% from a non-government. As of now, the order book.

Nikhil Agarwal: Okay. And lastly, sir, you said INR600 crores of revenue potential with the capex that is coming in total?

Vee Rajmohan: Yes. If we utilize the 9500 MVA capacity, then the revenue will be around...

Nikhil Agarwal: Yes, the INR600 crores revenue potential is on the expanded capacity as well, right? The total 9500 MVA.

Vee Rajmohan: Yes. When we reach the 100% capacity utilization, it will...



Nikhil Agarwal: On the 9500 MVA.

Vee Rajmohan: Yes.

Nikhil Agarwal: Okay. Understood, sir. That's it from me. Thank you so much.

Moderator: Thank you. We'll take our next question from the line of Vibha Gupta from VTG Capital. Please go ahead.

Vibha Gupta: Yes. So my question is, out of the total services that you are providing to Tamil Nadu government electronic system, so what is your share of their total ask? So do we see a capacity or, in future to increase our share of the total order?

Vee Rajmohan: That is, you are asking about the utility?

Vibha Gupta: Yes.

Vee Rajmohan: Utility will be -- 70% will be our share. This is roughly I'm telling.

Vibha Gupta: And so do we see that increasing in the near future or are we doing something to increase our share of the total demand by the...

Vee Rajmohan: Actually, we were expecting something around INR60 crores to INR80 crores revenue from Tamil Nadu Electricity, that is, TANGEDCO. So new RDS projects are coming up and new schemes or scheme projects are coming up. So our share, we are expecting something around INR60 crores this year. That is, '24- '25.

Vibha Gupta: Okay. INR60 crores. And that will be again some 20% of the total ask?

Vee Rajmohan: No. Our share.

Vibha Gupta: Okay. And how much percentage, yes, how much percentage approximately would that be, if you know?

Vee Rajmohan: Yes, again 20%, 25%. 20% max.

Vibha Gupta: Okay. And when we are talking about this INR60 crores of order book, so how does the revenue realization happen in book? So it's like, how is it ranked? It's like on the basis of how your production is going on or what's the principle that we use?

Vee Rajmohan: No. This is based on the customer requirement. Some customer, they place order. Yes, tell me.

Vibha Gupta: No. You tell me, sir, because I'm interested to know that this INR60 crores of profit, when do we see it hitting the P&L? In which quarters?

Vee Rajmohan: This is a continuous process. Actually, when in December we got INR50 crores order. And in January, February also, sorry, March also INR50 crores. Now it is INR60 crores. And here, month-on-month, we are also delivering products. And this INR50 crores, 60 crores is generally, INR40 crores to 60 crores will be the regular order book size.



So this will be delivered according to the customer requirement. See, for government, they will give us a schedule for 9 months, sometimes 12 months, based on the order. So as per their schedule, we have to supply. And private customers also, they will give a schedule for 2 months' supply, 3 months' supply, like that. So that is why I said it's the government.

Vibha Gupta: Okay, so only when you supply, you book it to the revenue?

Vee Rajmohan: Yes.

Vibha Gupta: The delivery has happened?

Vee Rajmohan: Yes, only after billing only, it will come into the revenue.

Vibha Gupta: And what's the general time lag between the order booking and the final delivery of the product?

Vee Rajmohan: See, our generally, our production lead time is 4 weeks to 6 weeks. And for the summer, it's 8 weeks. Subject to customer requirement and the payment realization. For private customers, we used to get the payment, then only we will deliver the product. So sometimes the requirement will be there and they will not make payment and it will be laying here for 1 or 2 days or for a week. So accordingly, it will be made. Purely based on the customer requirement.

Vibha Gupta: Okay. So are you conducting 100% checking in-house for all your deliverables? Or you have to get the testing done outside as well?

Vee Rajmohan: See, for all the routine tests, we have a full testing facility here. For prototype or special type test, we will go to Bangalore CPRI.

Vibha Gupta: Okay. So that will take some time?

Vee Rajmohan: Yes, it takes some time. Some customers, they insist on government lab. So, depending upon their application, very rarely customers, they will ask for a third-party lab or something. So at that time, naturally the time will be extended.

Vibha Gupta: Okay. So do you pass that cost to the customer or it becomes a sort of a hit to your payday...

Vee Rajmohan: Yes. Actually, while taking the order, the customer, they will give what are all the accessories and what are all the tests they have to make. So accordingly, we will pay.

So at that time itself, we will pay. Yes. Some customers, in between, they will come and ask, you have to do this, that and all. Then we will have to charge them. Okay.

Vibha Gupta: Thank you, sir.

Moderator: Thank you. We will take a last question from the line of Rajesh Singla from VTG Capital. Please go ahead.



Rajesh Singla: Hello, sir. I have a question for you on the raw material inflation. How well are we protected from inflationary pressures? Like, do we have inflation indexation in our order book?

Like say, tomorrow is the steel which we are using for making transformer. If the price of that steel goes up by, say, 10%, 20%, so are we in a position to shift this inflationary pressure to our customers?

Vee Rajmohan: Again, here it comes. I need to explain in detail. Because we are handling 2 types of customers, namely the government and non-government. In this way, we can segregate. And for government, the delivery schedule or supply schedule varies from 9-12 months, sometimes 18 months also. And there, as per the tender condition, this price variation clause is there.

Price variation clause. So, this price variation, whatever for the main raw material, logistics and the labour, everything is covered there. Even 10, 12 months also it will be covered. And there is no ceiling for that on government side. So it is covered. And when it comes to the private, when we get or when we are finalizing the order, at that time, the same day itself, we will book the raw material.

Maybe the same day or the next 2 days. For the major key raw material. So there also, this mainly, this clause is there. This price inflation is covered. And somewhere, we will be continuously quoting to the customers and everything will be in the pipeline. So in that case, which is not finalized, we will send a mail. There is a debt. In the past one week, there is a steep increase in copper price.

So we used to communicate with our customers that the copper price is rising. So if we want to finalize, if the price has to be revised, what we have quoted will not be in effect now. So we need to revise the price. Like that, we will send a communication. Before finalizing the order, you please give us an opportunity to discuss with you about the price. Like that, we will communicate with you.

Rajesh Singla: That is for the private sector, right?

Vee Rajmohan: That is only for the private.

Rajesh Singla: So what is the history? Like in the past, how many times they have rejected this kind of price increase? Or they are mostly open to, or they mostly have accepted these kinds of requests from your side?

Vee Rajmohan: Generally, the genuine buyer, they will accept. Because we give the request along with the evidence we prove. Like the copper price, what is the price when we quoted, what is the price today?

And with the justification only, we will be happy. Right. So the customer also should not be penalized. He should feel free. So we will be very transparent with the price. So when we have quoted, the price, copper price is this. And now, today's price is this. So there is an increase in price. So like that, we will negotiate. And most of the customers, they will agree for that.



- Rajesh Singla:** Right. So what is the mix of your current order book? Like what percentage are you having from the government utilities where you have inflation indexation clause?
- And how much is the private sector in your order book?
- Vee Rajmohan:** Government is 40%. Now, as from the present order book, government order is 40%. And this one is 60%.
- Rajesh Singla:** Private is 60% and government is 40%, right?
- Vee Rajmohan:** Yes, correct.
- Rajesh Singla:** Thank you, sir. Thank you. Best of luck.
- Moderator:** Thank you. I would now like to hand the conference over to Mr. Ganesh from Kirin Advisors for closing comments. Over to you.
- Ganesh:** Thank you everyone for joining the conference call of Supreme Power Equipment Limited. If you have any queries, you can write us at info@kirinadvisors.com. Once again, thank you for joining the conference. Thank you.
- Moderator:** Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.