



“Supreme Power Equipment Limited  
Q3 FY '24 Results Conference Call”

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DIRECTOR – SUPREME POWER EQUIPMENT LIMITED  
MR. PRADEEP KUMAR - WHOLE-TIME DIRECTOR -  
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**MODERATOR: MR. KAUSHAL SHINDE - KIRIN ADVISORS**



**Moderator:** Ladies and gentlemen, good day and welcome to Supreme Power Equipment's 3Q FY24 conference call hosted by Kirin Advisors. As a reminder, all participant lines will be in the listened-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference calls, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference has been recorded. I now hand the conference over to Mr. Kaushal Shinde from Kirin Advisors. Thank you and over to you, sir.

**Kaushal Shinde:** Thank you. On behalf of Kirin Advisors, I welcome you all to 3Q FY24 conference call of Supreme Power Equipment Limited. From management side, we have Mr. Vee Rajmohan, sir, Chairman and Managing Director, Mr. Pradeep Kumar, Whole-Time Director. Now I hand over the call to Mr. Pradeep Kumar, sir. Over to you, sir.

**Pradeep Kumar:** Hello. Yes, welcome to all. Yes, warm welcome to our first conference call where we are gathered to discuss about the financial performance of Supreme Power Equipment Limited for the third quarter of 2024.

It is very honor to connect with you all people. Before entering into the detailed listing, I just like to take a few minutes to explain about the Supreme Power Equipment Limited. Supreme Power Equipment Limited is located in Thirumazhisai, headquartered in Tamil Nadu, that is Thirumazhisai, specializing in manufacturing of power and distribution transformers.

With over three decades of industry expectancy, the company has become leading supplier to local electric utilities. And I mean, we are making 110 kV transformers to the local utilities and one of the best suppliers – I mean, one of the reputed suppliers for this local utility in Tamil Nadu Electricity Board. Now we are also entering into the windmill – I mean, we have already established ourselves in the windmill segment and in the solar segment.

And because of our strong quality standards, we have almost supplied around 15,000 units in both utilities and to the solar and windmill sectors. We have, I mean, with a 60 crores plus order book and we continue to play a pivotal role in the transformer industries, emphasizing innovations in the designs, operations, and other things. We have the strength and, I mean, Supreme has got a capacity that once a customer steps into the Supreme Power Equipment, they will never look back to another supplier.

That is the strength of the Supreme. So, I mean, recently we got enlisted in the National Stock Exchange on 29th of December, 2023. And I mean, the revenue record, I think Mr. Raj Mohan will be able to tell you. Over to you, Mr. Raj Mohan. Can you just share that? Hello?

Hello? Are you there on the line? Hello?

**Vee Rajmohan:** You continue. I'll answer the question and answer session.

**Pradeep Kumar:** Okay, fine Sir. In the financial year 2023, the company recorded a consolidated revenue of INR99.76 crores, achieved an EBITDA of INR18.6 crores and profit after tax of INR11.08



crores, underlining our commitment to excellence. And in H, I mean, in H1F, I mean, 24, the company recorded a consolidated total income of INR52.59 crores, EBITDA of INR10.39 crores, boasting an EBITDA margin of 19.75% and a PAT of INR6.59 crores with a PAT of margin 12.53%, along with the, with an EPS of 3.63. With these notable figures and strategic initiatives, we are confidently entering a phase of the substantial growth, setting up the stage for the further expansion in the future.

We are coming up, I mean, we are planning a very big expansion in the future, likely to be, start in the next year or so. Now, let me provide an overview of the company's consolidated financial performance for the Q3 of financial year 24 and the 9-month financial 24. During the third quarter of the current financial year, our company achieved a noteworthy total revenue of 23.77 crores. EBITDA stood at INR5.14 crores, reflecting a strong EBITDA margin of 21.62%.

The profit after tax reached INR2.97 crores with an impressive profit after tax margin of 12.49% and earnings per share of 1.17. We successfully achieved this milestone despite the challenges posed by the floods in Chennai. You know, I hope you people are aware that Chennai had, has seen the worst flood situations in the recent, I mean, the December month.

Production remained, I mean, resilient during the affected period and I am pleased to report that stating that starting the first week of January, operations are fully normalized. So, for the cumulative 9 months of financial year 24, the company reported a total revenue of INR76.36 crores. EBITDA for the period was INR15.53 crores with a notable of EBITDA margin of 20.33%. Profit after tax amounted to INR9.56 crores, showing a PAT margin of 12.52% and an EPS of 3.76, earnings per share of 3.76.

As of 9 month of financial year, the company has already attained a PAT of INR9.56 crores, demonstrating continued strong financial performance. We are very proud of strong growth we have seen so far and are looking forward to even better performance in the upcoming quarters. Our dedication to enhancing financial results coupled with exciting market, market opportunity position for us, I mean, position us for success.

Before we transition to the question and answer, Yes, I would, I want to express my sincere gratitude to all two stakeholders for being integral of our growth journey. Your support and active participation have been instrumental in our success and we genuinely value our significant contribution. With this, I would like to open the floor of questions and answers.

Thank you once again for supporting Supreme Power Equipment Limited. Looking forward for your continuous support in the future also. Thank you.

Thank you so much. Now over to you.

**Moderator:** Thank you so much, sir. Our first question is from the line of Prateek Choudhury from Saamarthya Capital. Please go ahead, sir.

**Prateek Choudhury:** Sir, could you detail about the expansion that we are doing in terms of capex required and what additional capacity would come on stream? What is our current capacity? What it will become and by what time?



**Vee. Raj Mohan:** Yes. Welcome you all. This is Raj Mohan, manager of the company. The capex is around our plant. The new plant is estimated 60 crores. For this thing to complete, the new plant is around 60 crores we are planning and it will complete in mid of next year, say 25, mid of 2025.

There the capacity will be increased. Now our capacity is around 2,500 MVA and in addition to that 6,500 MVA we are going to increase. As for now, we are operating in the area of 14,000 to 15,000 square feet, whereas the new plant will be around 1.25 lakhs square feet. So, this new plant will come into operation end of next year. Now we have applied for all the engineering drawings, everything has been finalized and we have applied for approval from various departments, health, fire, practice, inspector of practice and the directorate of term and country planning, so pollution control board, all these things we have applied.

**Prateek Chaudhary:** Okay and just for -- you said our current capacity is 4,500 MVA.

**Management:** No, no, 2,500 MVA.

**Prateek Chaudhary:** Okay, current is 2,500 MVA and new plant which will be coming is 6,500 MVA.

**Management:** Yes, yes, yes.

**Prateek Chaudhary:** So, it may take your total capacity to around 9,000 MVA.

**Management:** 9,000, yes, yes.

**Prateek Chaudhary:** And out of this 2,500 MVA, how much -- what is our current capacity utilization?

**Management:** Now the current utilization is around 40%.

**Prateek Chaudhary:** And do we see this increasing significantly going forward in the next year?

**Management:** Yes, yes, there will be an increase, 10% to 30% increase will be there. And 10% to 30% increase will be there year-on-year.

**Prateek Chaudhary:** You said 20%?

**Management:** 10%, 10% to 30% increase will be there.

**Prateek Chaudhary:** Okay, 10% to 13%.

**Management:** 30%, 10% to 30%.

**Prateek Chaudhary:** 10% to 30% increase in capacity. So your capacity utilization then will go to around

**Management:** like that, yes, yes.

**Prateek Chaudhary:** You're saying capacity utilization will increase by 10% or 30%?

**Management:** 10% to 30%. Minimum will be 10% and maximum will be 30%.



**Prateek Chaudhary:** So if it's 30%, then you're saying that your capacity utilization next year will go to 70%. Is that what it means?

**Management:** Now it is 40%. You take it as a 40%. On that you add a 30% maximum. 40% plus 30% which will be 70%. To 50%.

**Prateek Chaudhary:** Okay, growth. So you're talking in terms of growth. Okay, understood.

**Management:** Growth, growth.

**Prateek Chaudhary:** Growth in your revenues which will take your capacity closer to 50%? Potentially to 50%.

**Management:** 50% to 52%. Yes.

**Prateek Chaudhary:** Right, right. And in terms of our client base, is it only government utilities as of now?

**Management:** As of now, say, past 10 years we were mostly concentrating on government. Revenue sharing will be like 80 and 20 private players. And now we are restricting government exposure to 50% and 50%. 50% and 50%.

**Prateek Chaudhary:** 50% and?

**Management:** And 50%, private.

**Prateek Chaudhary:** Okay, okay. 50, 50, private. So currently out of your INR100 crores revenues that you did for the year, you're saying 80% came from the government.

**Management:** No, no. Last year it was almost 60-40.

**Prateek Chaudhary:** Okay. 60 is government, 40 is private.

**Management:** Yes, yes.

**Prateek Chaudhary:** And if we see your receivables cycle, for around INR52 crores of half yearly revenue that you did, your receivables were around INR50 crores at September end balance sheet. Which is almost a six month receivable cycle. And since you're saying that 40% of your business is coming from private, if you could differentiate -- what are the receivable days that you see for your private segment and the government segment?

**Management:** Government, minimum four months they'll take. If suppose it slips for five months also, it may. See generally the cycle, overall and average cycle is, since we are operating is 100-120 days. Sometimes in between it may slip from one month to next month. See if we get the payment, they'll make payment in bulk. Government, they'll make the payment in bulk. Whatever the accumulated, some amount that goes, they'll make it in one shot. Suppose that payment missed, this accumulated payment will be paid in the next month. Sometimes, sometimes it extends.

**Prateek Chaudhary:** Got it. So for the new plant, I was confused between the start, when is it about to start. So were you referring to financial year or calendar year? And if you could tell the specific month.



**Management:** Yes, 20-25 December, the plant will be completed and put into operation.

**Prateek Chaudhary:** So which is around roughly, almost 18-20 months away.

**Management:** Yes, yes, yes.

**Prateek Chaudhary:** Around 20 months away.

**Management:** Yes, yes.

**Prateek Chaudhary:** So it will be end of next calendar year, end of 2025 calendar year.

**Management:** Yes, yes.

**Prateek Chaudhary:** And by that time, how much capacity utilization would we be able to achieve on our existing 2,500 MVA capacity?

**Management:** Yes, yes. That, here is -- in the new plant, the capacity, the initial stage there, what we are planning is, here we are doing up to 25 MVA. In this past 20 years, the maximum capacity which we did is 25 MVA. This is the maximum capacity which we made. Maximum capacity of transformer which we made. Whereas in the new plant, we are planning and aiming to do 160 MVA and above. So it's almost 7x-8x bigger than what we are doing now.

**Prateek Chaudhary:** 7x-8x bigger?

**Management:** Yes, yes, yes.

**Prateek Chaudhary:** In terms of, what is the per unit that you sell, you know? If you have to compare a 25 MVA transformer with a 160 and above MVA, what is the per unit price for each of them, roughly?

**Management:** Yes, yes. For roughly, 25 MVA that's about INR2 to INR2.5 crores, according to the customer requirement.

**Prateek Chaudhary:** INR2.5 crores?

**Management:** Yes, yes. INR2 to INR2.5 crores.

**Prateek Chaudhary:** Okay, and 160 and above MVA?

**Management:** It will be around INR13 to INR16 crores. One transformer.

**Prateek Chaudhary:** Okay, INR13 to INR16 crores.

**Management:** Yes, yes.

**Prateek Chaudhary:** Okay, and where are -- you also spoke about the wind part.

**Management:** Wind and solar. Wind and solar.



**Prateek Chaudhary:** Wind and solar. So out of your current INR100 crores of top line, how much was catered to by these sectors?

**Management:** Which revenue you are asking?

**Prateek Chaudhary:** So transformers that you supplied for wind installations or solar installations?

**Management:** Yes, yes.

**Prateek Chaudhary:** Out of your INR100 crores top line, how much, roughly in percentage terms, will you supply to these two sectors?

**Management:** Yes, yes. Last year, you were talking about the last year supply. The 5% we received from solar sector, out of INR100, almost INR40 crores from private sector. On that, INR5 crores we got from solar.

**Prateek Chaudhary:** And wind?

**Management:** Wind is almost the same.

**Prateek Chaudhary:** How much?

**Management:** Same, some 5%.

**Prateek Chaudhary:** Okay, wind is also around INR5 crores.

**Management:** Yes, yes.

**Prateek Chaudhary:** And you see this increasing significantly going forward?

**Management:** Yes. See, a number of projects are coming up. Power projects are coming up based on solar. So this year, we have, we got a good number of transformers from solar sector.

**Prateek Chaudhary:** And this 150 MVA and above, what is the end segment for these kinds of transformers?

**Management:** Yes, for solar park, we are doing more than 100 megawatt, 200 megawatt, 500 megawatt. And for windmill also, they'll be putting, they'll be requiring this 150 MVA. And for utility, also they'll be procuring this 150 MVA.

**Management:** And also this power grid and National Thermal Power Corporation, all these are big customers for 150 MVA.

**Prateek Chaudhary:** And who would be your competitors?

**Management:** PGCL and NTPC are very big customers of 150 MVA.

**Prateek Chaudhary:** Okay. And who would be your competitors in this category, 150 and above?

**Management:** BHL, Indo Tech, Atlanta. A few players are there in that category.



**Prateek Chaudhary:** And are you also targeting exports?

**Management:** Definitely.

**Management:** Yes, we are exploring and we are negotiating. I think in next financial year, some significant quantity will be exported.

**Prateek Chaudhary:** This will be to which continent?

**Management:** We are targeting Saudi and Kenya.

**Prateek Chaudhary:** Are you -- So, I'm just taking cue from the same. Are these going to be oil and gas transformers for the oil and gas sector?

**Management:** Yes, yes, yes. The transformer performance is simple application. But the performance of the transformer is the same.

**Prateek Chaudhary:** But these will be for oil and gas customers in Saudi and Kenya.

**Management:** Yes, yes.

**Prateek Chaudhary:** And you're saying next year you expect significant top line from the same?

**Management:** Yes. We are targeting. Let us see.

**Prateek Chaudhary:** Okay. And any last question, sir. Any possibility that we, that our capex which as of now you're communicating, will take around 18 months. Is there a possibility it could happen much before that?

**Management:** Yes. On the safer side I am telling we are trying to complete this much earlier.

**Prateek Chaudhary:** Okay. Okay, sir. I'll get back in the queue. Thanks a lot.

**Management:** Thank you, sir. Welcome you.

**Management:** Thank you. Thank you.

**Moderator:** Thank you. Our next question is from the line of Yashavanti from Kojin Finvest. Please go ahead.

**Yashavanti:** Hello. Thank you, sir. And many congratulations for a good set of numbers. So you said that we are entering into the windmill and windmill solar transformer. So do we have our own indigenous technology or do we have any technology tie up for this?

**Management:** No, we have our own individual technology for solar and wind. And...

**Management:** We have a strong design team... We have a very strong design team.

**Yashavanti:** Okay.





**Management:** And more than past 10 years, we are supplying to wind industry, namely Gamesa, Vestas, Suzlon, and most of the wind industry we have supplied. And we have 10 to 15 years past experience with the wind industry.

**Yashavanti:** Okay. So you are entering into the higher, high power transformer is basically the need for the expansion, right sir?

**Management:** I could not hear your voice.

**Yashavanti:** Yes. So I'm asking, you are entering or you are planning to manufacture comparatively higher power transformer is the reason for your expansion?

**Kaushal Shinde:** Yes. Yes.

**Yashavanti:** So in that case, what would be the other margin difference between the current transformer capacity of 25 and 160?

**Kaushal Shinde:** What is the? What is the question?

**Yashavanti:** Profitability margin.

**Kaushal Shinde:** Profit margin. Yes. Yes. When compared to this 25 MA to 160 MA, there will be a margin difference in reserve. It will be higher than the 25 MA.

**Yashavanti:** Can you quantify that?

**Kaushal Shinde:** Because numbers, number of players are less on that. So the competition is less. Sorry?

**Yashavanti:** Can you quantify it?

**Kaushal Shinde:** Maybe 1% or 2% more.

**Yashavanti:** Okay. And who are your competitors in that segment?

**Kaushal Shinde:** Yes. As I said earlier, GE and DHL, the Semi Government Organization, and Atlanta and a few more players. And in our state, only Indotech is the only competitor. Only one organization is there. They are listed. Indotech Transformers.

**Yashavanti:** Okay. And sir, are we looking at anything in the international market?

**Kaushal Shinde:** Yes. We are targeting Saudi and Kenya.

**Yashavanti:** Okay.

**Kaushal Shinde:** Probably next year, we may come out with the figures.

**Yashavanti:** Okay. Any strategic initiative taken by you?



- Kaushal Shinde:** Yes. Already we are negotiating with OSIS buyer. And we are negotiating. We started negotiating. And we want some type of payment guarantee. So the negotiation is going on.
- Yashavanti:** Okay. Sir, you said that there are very few players as far as the Wingman Transformers are concerned. So what are the entry barriers in the business?
- Kaushal Shinde:** Entry barrier. Actually, the entry barrier is they should have a test certificate for the validation of the design and validation to validate the manufacturing process. So this has to be certified by CPRI, Central Power Research Institute.
- Yashavanti:** Okay.
- Kaushal Shinde:** And if you want to supply 160 MA, at least you should supply 100 MA. If you want to supply 100 MA, then minimum you should have supplied 50 MA.
- Yashavanti:** Okay.
- Kaushal Shinde:** And if you want to supply 50 MA, minimum 25 MA you have to supply.
- Yashavanti:** Okay.
- Kaushal Shinde:** This type of protocol is there. Yes. Stage-by-stage. See, immediately if you have money, we cannot start doing 160 MA.
- Yashavanti:** Okay.
- Kaushal Shinde:** So the entry barrier is that.
- Yashavanti:** Okay. And normally what is the decision period or what is the time it takes right from, you know, what you say, designing of a transformer to the actual sale of the transformer?
- Kaushal Shinde:** Again, it depends. It depends upon the transformer which we are planning to do. See, when it comes to power transformer, again the capacity, you see, for a distribution transformer it takes 4 to 8 weeks. For generally power transformer, two months from that designing to delivery. And bigger type transformer, it takes three months. 3 to 4 months for 160 MA.
- Yashavanti:** Okay.
- Kaushal Shinde:** So it's like that. And if for smaller type transformer, even four weeks also we can deliver.
- Yashavanti:** Okay. That's it right now for me. From my side, I will join back in queue.
- Kaushal Shinde:** Thank you. Welcome, madam.
- Moderator:** Thank you. Our next question is from the line of Ritika Jain from HNI Investors. Please go ahead.
- Ritika Jain:** Hi, sir. Thank you for the opportunity.



**Kaushal Shinde:** Welcome, madam.

**Ritika Jain:** So, sir, I would like to know that your outlook on EBITDA margin. Is it sustainable at 20% or have any chance for further increase?

**Kaushal Shinde:** No, no, further increase, we are trying to do that. But minimum 15 to 18 will be made. EBITDA 15 to 18 will be made. It's sustainable.

**Ritika Jain:** Okay. Okay. And can you elaborate us on your revenue model with government and private sales?

**Kaushal Shinde:** Yes. Past 10 years, we were doing 80% government and 40% private. And now we restrict ourselves to make an exposure with the government for within 50%. We are trying to do that. And balance 50% from private. This is the strategy we have taken.

**Ritika Jain:** Okay. And my last question is, sir, what is a company's order receipt procedure?

**Kaushal Shinde:** Can you ask me again?

**Ritika Jain:** Yes. What is a company's order receipt procedure?

**Kaushal Shinde:** Yes, it's around INR55 crores to INR60 crores. As of now.

**Ritika Jain:** Okay. Fine. Thank you so much, sir. Thank you.

**Kaushal Shinde:** Thank you, madam. Thank you very much.

**Moderator:** Thank you. Our next question is from the line of Khushbu Kaur from TP Capital. Please go ahead.

**Khushbu Kaur:** Yes. Can you just tell me what is the price difference between normal power transformer and power transformer for solar power set?

**Kaushal Shinde:** Hello. Yes, yes. Madam, it's not much audible.

**Khushbu Kaur:** Hello. Is it audible?

**Kaushal Shinde:** Yes, madam.

**Khushbu Kaur:** Okay. What is the price difference between normal power transformer and power transformer for solar power set up?

**Kaushal Shinde:** Okay. See, the solar transformer are subjected to a lot of fluctuations, a lot of -- during the peak time, the generation will be very high. And once the generation, once the solar's internal radiation falls down, the generation becomes low.

So, the variations will be from the morning to the evening. The variations will be in a huge, there will be a huge variation over all the day. Whereas in power transformer in the utility, it will be a normal one. I mean, in the peak hours, there will be a load, higher load, and in the other times,

it will be the same. So, the fluctuations are less in the utility transformers, whereas in solar, the fluctuations will be very high. So, making a solar, one has to be very careful in the design.

So, that is the difference between the solar and the other power transformers for the utilities.

**Khushbu Kaur:** Okay. And what is the contribution from government and private players in our total revenue group?

**Kaushal Shinde:** The government and, see, we are restricted to 50%. 50% from government and 50% from private. Earlier days, we used to, we used to supply 80% to government and 30% to private. Now, we are restricting ourselves to 50%.

**Khushbu Kaur:** So, it is going to be the same for the future also?

**Kaushal Shinde:** Yes.

**Khushbu Kaur:** Okay. Thank you.

**Kaushal Shinde:** This strategy, this is the strategy we have taken for this year and next year. Depends upon the payment structure, payment model, it may change.

**Khushbu Kaur:** Okay. Thank you.

**Kaushal Shinde:** Thank you, Madam.

**Moderator:** Thank you. Our next question is from the line of Rishikesh Dhoot from DIFL. Please go ahead.

**Rishikesh Dhoot:** Hi. Thank you, sir, for the call and opportunity to ask a few questions.

**Kaushal Shinde:** Welcome, sir. Welcome.

**Rishikesh Dhoot:** I wanted to just ask, so you mentioned that you have about INR60 crores of orders on hand. So, this is also in the 50%-50% ratio between government and private?

**Kaushal Shinde:** And that is now the order percentage is slightly vary. Something around 60% is from government, balance 40% -- from 35% to 40% from private.

**Rishikesh Dhoot:** Okay. And you mentioned that you will be having a 30% increase in utilization over this quarter, right?

**Kaushal Shinde:** Yes. 10 to 30% will increase.

**Rishikesh Dhoot:** So, we assume that that would be about a INR28 crores to INR31 crores target of top line based on your increase in capacity utilization, right?

**Kaushal Shinde:** Yes. The top line will increase. Accordingly, the capacity utilization will also rise.

**Rishikesh Dhoot:** Okay. And how is this capex for the new unit being financed?



- Kaushal Shinde:** From this IPO and the financial accrued from the reserve.
- Rishikesh Dhoot:** Okay. So, there won't be any shortage?
- Kaushal Shinde:** And if anything, any shortage at the end of the project, if there is any shortage, we'll go for a small amount.
- Rishikesh Dhoot:** Okay. And you mentioned that you are looking to do some partnerships in Saudi and Kenya. So, are the margins better in export?
- Kaushal Shinde:** Everywhere the margin is almost the same. But 1% or 2% we will get the incentive. 1.1% or I think it's 1% incentive is the government of India sharing. And almost the margin will be the same.
- Rishikesh Dhoot:** Okay.
- Kaushal Shinde:** We will get additional business.
- Rishikesh Dhoot:** Okay. So, and these will be more towards the 25 MVA or do you think that they will also be purchasing 160 MVA plus?
- Kaushal Shinde:** No, no. For that, we have not planned. We are planning only for distribution type of transformers and 10 MVA to 25 MVA transformers. And for 160 MVA, we are not sort of doing that for export.
- Rishikesh Dhoot:** Okay. And for export, will there be solar and wind transformer for export as well or not?
- Kaushal Shinde:** As of now, the enquiry is for distribution and step-up transformers for oil and gas and for distribution.
- Rishikesh Dhoot:** Okay. And one last question. Sorry, you mentioned that 15% to 18% EBITDA margin is something that we should expect moving ahead. So, does that mean that there will be a slight reduction in EBITDA margin as compared to right now? Because I think right now we did a 21%?
- Kaushal Shinde:** Actually, EBITDA margin will vary. That is why I am telling from 15% to 18%. There is a very marginal difference. 0.5 I think is reduced. Am I right?
- Rishikesh Dhoot:** Sir? I think we did a 21.5% EBITDA margin, right? For December 23.
- Kaushal Shinde:** Yes, yes. Very slight. This type of variation will be there. So, at the end of the year only, when publishing this audited financials. See, almost it will be between EBITDA will be 15% to 18%. It will be nice.
- Rishikesh Dhoot:** Okay. Okay, sir. Thank you so much.
- Moderator:** Thank you. Our next question is from the line of Pradeep Chaudhary from Saamarthya Capital. Please go ahead.



- Pradeep Chaudhary:** Sir, on the EBITDA side, before that, are we the 10% contribution from solar and wind right now?
- Kaushal Shinde:** Yes.
- Pradeep Chaudhary:** What do we expect the contribution to be from these two sectors in the next two to three years? Can it move to 20%-30% of our...
- Kaushal Shinde:** Yes, yes. We are expecting that because the number of solar projects are coming up. Especially in Tamil Nadu and Karnataka, so many projects are coming up. And we are expecting some more percentage of -- supply percentage will be increased. It will increase.
- Pradeep Chaudhary:** So, what percentage of your business approximately will come from these two sectors two years down the line?
- Management:** Year-on-year, it should increase by 5% to 10% increase will be there. Apart from the regular local buyers, factories and hotels. Apart from all other sectors, this will take 5% to 10% increase will be there.
- Pradeep Chaudhary:** And again on margins, just continuing the conversation from our previous participant, you were saying that 15% to 18% is what you see sustainable. But the FY'23, we did 18%. And first half FY'24, closer to 20%. And last third quarter FY'24, almost 21%. So, do you see, again, just trying to get more answers from you on this? Do you see your EBITDA margins reducing by 3%?
- Management:** No. It's not like that. See, actually this margin is 18% sustainable. And it will be maintained.
- Pradeep Chaudhary:** But your current is 21%. So, if everything goes the same as how it is continuing right now, then can 21% also continue?
- Management:** This 18% to 20% will continue.
- Pradeep Chaudhary:** You are saying 18% to 20%?
- Management:** Yes.
- Pradeep Chaudhary:** Okay. And as far as our receivables are concerned, which were around INR50 crores as of September end, do you expect any bad debts?
- Management:** No, bad debts. Only delay will be there. Actually, we were expecting INR20 crores, INR30 crores this week. It slipped to next week. So we are waiting to get that.
- Pradeep Chaudhary:** Okay. Sir, when we will get INR20 crores, INR30 crores from the government.
- Management:** We are working on it.
- Pradeep Chaudhary:** Okay. And usually when you expand in this sector, you know, what is the -- so IPO process happened a couple of months back. And you must have -- the starting of the process must have



happened a couple of months back. And you might have placed your equipment orders maybe at that time only. So from the time the equipment orders are placed till the final start of production, usually how much time does it take in your industry?

**Management:** For manufacturing and handling equipment, you are talking about, right?

**Pradeep Chaudhary:** Yes. Basically for you to put up a new plant, how much time does it take?

**Management:** So, the lead time again depends upon the machinery. Which machinery, let's see, for VPD, [O1], for specialized equipment, it takes 9 to 10 months. And for crane and all, 3 to 4 months they will deliver. And it depends.

**Pradeep Chaudhary:** Okay. Is it possible that we would finish this expansion in 2024 itself? Is that a possibility?

**Management:** No. It is not complete. See, this approval process is a big, cumbersome process. We need to get approval from various departments.

**Pradeep Chaudhary:** We need to get approval from?

**Management:** Various departments; fire, health, industries.

**Pradeep Chaudhary:** These approvals are required for our expansion in terms of land approvals and...

**Management:** Yes, land building and operational approvals.

**Pradeep Chaudhary:** Okay. So we don't have those in place?

**Management:** Sorry. We don't?

**Pradeep Chaudhary:** We don't have them in place as of now?

**Management:** We have applied. Now land we have procured. Design and engineering, everything isn't over. Now, we have applied through single window portal. Now, we have to follow up -- do follow up and get it done.

**Pradeep Chaudhary:** Land you have?

**Management:** Yes, already has procured.

**Pradeep Chaudhary:** You bought this land or this was there in the company from many years?

**Management:** No, very recently we bought it. Before IPO, we bought it.

**Pradeep Chaudhary:** And how was the land cost you spent?

**Management:** Yes, on document it's around INR6 crores.

**Pradeep Chaudhary:** Okay. INR6 crores you spent on how big is the land in area?

**Management:** It's 6 acres.



**Pradeep Chaudhary:** 6 acres.

**Management:** Whereas now we are operating in 40%. Almost 10x bigger.

**Pradeep Chaudhary:** Now you are operating in how much?

**Management:** 40%. Our land area is 40%.

**Pradeep Chaudhary:** Okay. So, it's 10x bigger, the additional...

**Management:** No, almost more than 10x times.

**Pradeep Chaudhary:** Okay. Any other product that we would like to make there other than these 160 MV plus?

**Management:** Here we do new transformers. And there we have marking separate place for services where I think we can -- we can get some better margin on services. Services of bigger transformer -- only for bigger transformer, not smaller.

**Pradeep Chaudhary:** Okay, servicing for bigger transformer. You have dedicated a place for that.

**Management:** Small, yes. We are marking a separate place for that. So we are planning. The product is same.

**Pradeep Chaudhary:** Okay. And could this be a big business also? Is there a very big requirement for servicing of large transformers?

**Management:** Yes, we have to look at, but business is there. There we will not make big revenue, but margin we can get. We can do good margin on that.

**Pradeep Chaudhary:** Okay. And so you are expecting by maybe May or June 2025, because initially you said May of 2025 you are expecting to start or put this plant into production. Is that right, by May or June 2025?

**Management:** Yes. We can take it in this way that before December, it will complete. Before the end of 2025, it will fully complete.

**Pradeep Chaudhary:** And if everything goes well, it might happen by May, June also.

**Management:** Yes. We are trying to reduce the early time.

**Pradeep Chaudhary:** Correct. Is there a large requirement for these, like 160? What is the total market size? If you would have rough numbers, you know, or the requirement of say our government customers?

**Management:** As of now, today itself we got enquiry from -- oral enquiry from Vestas asking us to supply [160]. We have that type of rapport.

**Pradeep Chaudhary:** You got enquiry from whom?

**Management:** Vestas.





**Pradeep Chaudhary:** It's not clear, sir.

**Management:** Is it clear now?

**Pradeep Chaudhary:** Yes, it's clear now.

**Management:** Okay. So as of now, we got enquiry from Vestas.

**Pradeep Chaudhary:** Okay.

**Management:** Windmill providers. Oral enquiry for 160 MVA, 5 numbers.

**Pradeep Chaudhary:** Okay. So around INR50 crores roughly, right?

**Management:** Yes, roughly. You take it as INR15 crores. So, without having the infrastructure, we will not be able to do that.

**Pradeep Chaudhary:** Correct.

**Management:** And it need to be tight tested. And as I said earlier, we need to do 100 MVA, 50 MVA first, then 100 MVA, then 160 MVA. So, it's a process. All of a sudden, immediately, we will not be able to do 160 MVA at the very initial stage. Step by step, we have to do that. But market is there.

**Pradeep Chaudhary:** And step by step, you know, over the next 12 to 18 months, when your new plant will be setting up, would you be going for the certifications required for these kind of transformers simultaneously?

**Management:** No. Simultaneously, we will not be able to get that. See, first, we need to test a transformer. We cannot keep it idle. That we have to sell it. First thing. Then, based on that supply experience in the market or with the utility, we have to apply or bid for a bigger transformer tender. They will place order for 100 MVA. Then, after getting that order, we have to do that all certification on that transformer. Then, after supplying this 100 MVA, we have to bid for 160 MVA. This is the basic eligible criteria. It's fixed by the government.

**Pradeep Chaudhary:** Okay.

**Moderator:** Sorry to interrupt, sir. Pradeep sir.

**Pradeep Chaudhary:** I'll come back in a queue.

**Moderator:** Our next question is from the line of Jigesh from Jiva Capital. Please go ahead.

**Jigesh:** Am I audible?

**Moderator:** Yes, sir.

**Management:** Yes, very much audible.



**Jigesh:** As you were explaining, we need to provide 25 MVA transformers if we want to bid for 50 MVA.

**Management:** Yes.

**Jigesh:** So, if we want to reach 160 MVA, and if we get our plant ready, so at least it will take one year's time before we get the first order of 160 MVA, right? If we bid and then get 50 MVA, 100 MVA, like you explained just now.

**Moderator:** Hello, sir.

**Management:** My line got disconnected.

**Jigesh:** Okay.

**Management:** Can you ask the same question now?

**Jigesh:** Yes. As you were explaining that for 50 MVA, we need to give 25 MVA.

**Management:** Yes.

**Jigesh:** So to reach 160 MVA, we need to give 100 MVA transformers.

**Management:** Yes.

**Jigesh:** So, once our new plant is ready, then only we can start giving 50 and 100 MVA transformers, right?

**Management:** Yes.

**Jigesh:** So to reach 160 MVA, at least we will take 6 to 12 months after our plant stabilizes.

**Management:** Yes. It will take more time, sir. Not 12 months.

**Jigesh:** Yes. So it will take more time...

**Management:** It will take minimum two years. Minimum two years it will take.

**Jigesh:** Okay. To reach 160 MVA, we need to wait for at least 2027 to give our first transformer.

**Management:** Yes.

**Jigesh:** Okay.

**Management:** See, this bigger transformer, making is also -- we need skilled workers and very good design teams. And we need also experience on that. We have -- and Mr. Krishna Iyer, he has joined us in the Board. He is from TELK. TELK is the biggest transformer company in Kerala.

**Jigesh:** Okay.



**Management:** So, he joined in the Board.

**Jigesh:** Okay.

**Management:** So with all the support, I think we can do this 160 MVA. And that too, this is 230 KV class. What we are doing is 110 KV class. That is also getting doubled.

**Jigesh:** Okay. And so, now our transmission lines, a pan India will also require lot of upgradation or maybe lot of new transmission lines will be required. So, distribution transformer is a big area or along with this renewable transformers?

**Management:** Distribution is a big market. Distribution transformer is a very big market.

**Jigesh:** Okay.

**Management:** Yes, there the competition is also high.

**Jigesh:** Okay.

**Management:** Generally, we look for opportunity for supplying special type transformers.

**Jigesh:** Which one?

**Management:** Special. Generally, we look for the opportunity to supply special type transformers.

**Jigesh:** Okay.

**Management:** Rather fighting in mid of so many small players.

**Jigesh:** Yes. So because this distribution transformer that you have been supplying, more of that would be for the government entities?

**Management:** Yes.

**Jigesh:** So, you are scaling down, you are trying to bring 50-50 ratio.

**Management:** Yes.

**Jigesh:** So, you are focusing more on solar and wind and other speciality transformers.

**Management:** Yes.

**Jigesh:** Okay. And working capital cycle, if we talk, do we get any advances in case of private orders?

**Management:** Sir, again in private, we can bifurcate into three parts. One is new, very new customer. Another is repeat customer.

**Jigesh:** Okay.

**Management:** Another is big customer, like L&T.



**Jigesh:** Okay.

**Management:** The new customer, they used to give 10% to 30% advance.

**Jigesh:** Okay.

**Management:** The repeat customer, they don't give advance.

**Jigesh:** Correct.

**Management:** Okay. And the companies like L&T and other things, they ask for the credit 60 days.

**Jigesh:** Okay.

**Management:** So, these are mixed up all.

**Jigesh:** Okay. Right. Majority of your would be repeat and big customers.

**Management:** Yes, yes.

**Jigesh:** Okay. So, understood. So, we will keep on requiring a lot of working capital also in private.

**Management:** Yes. We need a lot of working capital as required because the cash-to-cash cycle is little larger in this industry. And the inventory is also, we need to keep minimum, minimum of three months inventory we need to keep.

**Jigesh:** Sir, in last phone call, you had mentioned that we are going to grow by 20%-30% in next two to three years in revenue. Two to three years, every year we will go back to 20%-30%.

**Management:** 10%-30%.

**Jigesh:** 10%-30%, okay.

**Management:** Yes, yes.

**Jigesh:** Suppose if we grow in private as well as in government, but what about exports which will be totally a new idea that will help us in bigger growth, right?

**Management:** Yes, yes. We are waiting for that opportunity and we are working on it. Once we got the purchase order, I can, strongly I can say, but without anything in hand, I cannot assure.

**Jigesh:** No, so for exports, are we ready with all our certifications?

**Management:** Certification is there already. See, this CPRA certification is approved worldwide.

**Jigesh:** Okay. So just, we are waiting for finalizing purchase orders going forward.

**Management:** Oh, I could not, I could not understand.



**Jigesh:** No, just now we need to just negotiate on the purchase order going forward to bring our export orders.

**Management:** Yes, yes. The terms and conditions are not, we are waiting for the term. Price is okay, but the terms and conditions are, is not acceptable. So we are trying to convince our buyer.

**Jigesh:** Right. So, even if we grow, suppose if we grow every year by 20%, so, would exports contribute at least 5% to 10% out of that going forward?

**Management:** Actually, sir, to be very frank, last year we did INR2 crores, INR2.5 crores export out of INR100 crores.

**Jigesh:** Okay, okay.

**Management:** So, the year before in 2021, no export was there.

**Jigesh:** Okay.

**Management:** And this year, no big export, we have not done any export. So we are, we are exploring the market and we are working on it. After that, we will be giving a forward statement.

Something should, I should have in my hand. We are working on it. We have located 2, 3 people there and they are also working for that. But, something should, something we should have in hand to answer your question.

**Jigesh:** Okay. And, sir, I was going through your presentation, slide number 15, product-wise revenue bifurcation. Sir, we have given distribution transformer, power, windmill transformer and solar transformer.

**Management:** Okay, sir.

**Jigesh:** What is covered in power transformers?

**Management:** What is?

**Jigesh:** What is different in this power transformer, sir?

**Management:** Power transformer, see, it's a HD transformer. See, like, conversion of, stepping down or step up, the voltage from 110 KV to 11 KV.

**Jigesh:** Okay.

**Management:** So, and 230 KV to 110 KV. It's a power transformer.

**Jigesh:** So, sir...

**Management:** And in distribution, yes.

**Jigesh:** Yes. So, I understood, but I think power transformer is a quite competitive field?



- Management:** Yes, there, no, no, there we get, when compared to distribution, power transformer, we get higher margin.
- Jigesh:** Higher margin.
- Management:** Yes.
- Jigesh:** Understood. Because there is a quite variation in terms of growth in revenues. Sometimes power transformer is quite lower.
- Sometimes it is, it reached INR41 crores now. So, I was not able to see whether which segment will grow altogether.
- Management:** Both the, both the sector will grow. See, if they want to put one 25 MVA, then for distribution, they have to put 30 MVA.
- Jigesh:** Correct. Cumulatively, yes.
- Management:** So, both, side by side, both will be growing.
- Jigesh:** Okay. Understood.
- Management:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for the day. I now end the conference. Over to the, over to Mr. Kaushal Shinde for closing comments.
- Kaushal Shinde:** Thank you everyone for joining the conference call of Supreme Power Equipment Limited. If you have any queries, you can write to us at [research@kireenadvisors.com](mailto:research@kireenadvisors.com). Once again, thank you everyone for joining the conference.
- Moderator:** Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.