



IPO Details		Company Background					
<b>Opening Date</b>	Dec 21, 2023	<ul style="list-style-type: none"> <li>Supreme Power Equipment Limited was originally incorporated in the year 2005 and has its registered office in Tamil Nadu, India.</li> <li>The company is currently engaged in the areas of manufacturing, up-gradation, and refurbishment of transformers ranging from Power Transformer, Generator Transformer, Windmill Transformer, Distribution Transformer, Isolation Transformer, Solar Transformer, Energy Efficient Transformer, Converter and Rectifier Transformer.</li> <li>The company is an ISO 9001:2015 company, in the area of Design, Manufacture, Services and Supply of Transformer.</li> <li>As of 31<sup>st</sup> July 2023, the Company had 58 employees on its payroll.</li> </ul>					
<b>Closing Date</b>	Dec 26, 2023						
<b>Stock Exchange</b>	NSE SME						
<b>Lot Size</b>	2,000 Shares						
<b>Issue Price</b>	₹ 61 to ₹ 65 per share						
<b>Issue Size</b>	Aggregating up to 46.67 Cr.						
<b>Fresh Issue</b>	Aggregating up to 46.67 Cr.						
<b>Offer for Sale</b>	-						
<b>Application Amount</b>	₹ 1,30,000						
IPO Objective							
To meet Working Capital Requirements.							
To meet Capital Expenditure.							
To meet the Issue Expenses.							
General Corporate Purpose.							
Pre-Issue Shareholding			<b>Market Capitalization (In Cr.)</b>				
<b>Category</b>	<b>No. of Shares</b>	<b>% of Total Shares</b>	<b>Pre-Issue</b>	<b>Post-Issue</b>			
Promoter & Promoter Group	1,41,36,165	79.37%	₹ 116	₹ 162			
Public	36,74,970	20.63%					
Promoter of the Company			<b>Financial Summary (In Lacs)</b>				
1	Vee Rajmohan		<b>For the Period Ended</b>	<b>Mar-21</b>	<b>Mar-22</b>	<b>Mar-23</b>	<b>Jul-23</b>
2	K V Pradeep Kumar		<b>Total Assets</b>	3,351.95	3,330.73	6,901.05	9,187.16
			<b>Net Assets</b>	675.95	727.76	1,805.69	2,298.26
			<b>Total Borrowings</b>	491.53	640.58	1,999.74	2,153.82
			<b>Total Revenue</b>	3,546.50	4,670.91	9,990.85	3,927.61
			<b>Profit After Tax</b>	33.64	51.84	1,107.87	503.16
Competitive Strengths			<b>Tentative Timeline</b>				
1	Contracts from governments.		<b>Opening Date</b>	Dec 21, 2023			
2	Experienced and strong management team.		<b>Closing Date</b>	Dec 26, 2023			
3	Highly crafted and well-engineered product base.		<b>Basis of Allotment</b>	Dec 27, 2023			
4	Capable technical personnel.		<b>Initiation of Refunds</b>	Dec 28, 2023			
5	Quality Assurance.		<b>Credit of Shares to Demat</b>	Dec 28, 2023			
6	Organized and focused marketing team.		<b>Listing Date</b>	Dec 29, 2023			
7	Wide product portfolio.						
8	Cordial relations with the customers and suppliers.						
9	Well-equipped manufacturing facilities.						

### Company Background and Analysis

The Company was originally incorporated on 21, June 2005. The company is currently engaged in the areas of manufacturing, up-gradation, and refurbishment of transformers ranging from Power Transformer, Generator Transformer, Windmill Transformer, Distribution Transformer, Isolation Transformer, Solar Transformer, Energy Efficient Transformer, Converter and Rectifier Transformer.

The company is an ISO 9001:2015 company, ISO 14001:2015 certificate, and ISO 45001:2018 certified in the area of Design, Manufacture, Services and Supply of Transformer. Supreme Power Equipment Limited has its Quality Management System certified by TUV/QACS. CPRI (“Central Power Research Institute”) has type-tested the transformers up to 25MVA/110kV Voltage Class.

The company’s product portfolio and the revenue bifurcation of the same is given below –

1. Power Transformer - Power transformers are vital components in electrical power systems, serving several crucial functions to ensure the transmission and distribution of electrical energy.
2. Generator Transformer - Generator transformers are vital components in power generation plants, ensuring that electricity generated by various sources is efficiently transformed and transmitted to the electrical grid.
3. Windmill Transformer - Windmill transformers play a vital role in ensuring that electricity generated by wind turbines is efficiently transformed and integrated into the electrical grid, contributing to the growth of renewable energy and the reduction of greenhouse gas emissions.
4. Distribution Transformer and Energy Efficient Transformer - Distribution transformers are vital components in the electrical distribution system, ensuring that electrical power is delivered safely, efficiently, and reliably to homes, businesses, and industries.
- 5.
6. Solar Transformers - Their role in ensuring compatibility with the grid is essential for the widespread adoption of solar energy in residential, commercial, industrial, and utility-scale applications.
7. Furnace Transformer - Furnace Transformers are specialized devices that facilitate the conversion of electrical power between different voltage levels.

(Amount in Lakhs.)

Particulars	Mar-21		Mar-22		Mar-23		Jul-23	
	Amt	%	Amt	%	Amt	%	Amt	%
Distribution Transformer and Energy Efficient Transformer	2,283.63	64.60	4,301.45	92.30	4,119.41	54.54	1,549.12	45.17
Power Transformers	1,137.39	32.17	78.28	1.68	2,999.59	39.71	1,820.68	53.09
Windmill Transformers	36.31	1.03	-	-	20.75	0.27	-	-
Solar Transformers	47.07	1.33	280.75	6.02	382.27	5.06	59.55	1.74
Generator Transformers	30.77	0.87	-	-	-	-	-	-
Furnace Transformers		-	-	-	31.00	0.41	-	-
<b>Total</b>	<b>3,535.17</b>	<b>100.00</b>	<b>4,660.48</b>	<b>100.00</b>	<b>7,553.02</b>	<b>100.00</b>	<b>3,429.35</b>	<b>100.00</b>

To conclude, the company was incorporated in the year 2005. The company generates the majority of its revenue from Distribution Transformer and Energy Efficient Transformer.



## **Business Strategies**

### **1. Constant technology upgradation -**

The company is focused on constant up gradation of the machinery and equipment used in its business from various parts of the world keeping in mind its usage in the Indian Environment.

### **2. Expand the geographical network -**

The company continually seeks to enhance the addressable market through private meetings with the proposed customers, by carrying out promotional activities to create awareness for the products. The company plans to create a Strong and niche customer base for the products by increasing the focus on increasing the visibility with such institutional customers including Government Institutions, builders, and Developers of residential and commercial projects.

### **3. Continue to develop client relationships -**

The company plans to grow the business primarily by growing the number of client relationships, as the company believes that increased client relationships will add stability to its business.

### **4. Capitalize on the growing demand for Power Infrastructure -**

The company intends to capitalize on the growing demand. The company has cordial relationships with various public sector entities as well as being an approved vendor for such entities giving repeat orders to us. The company believes that they are well-positioned to cater to the industry with diverse products and vast experience in the industry.

### **5. Leveraging the Market Skills and Relationships -**

The company aims to leverage the marketing skills and relationships and further enhance customer satisfaction.

## Competitive Scenario and Peer Mapping

### Competition

The company operates in a highly competitive market, with participants in the organized and unorganized sectors. There are no entry barriers in the industry, which puts them at the threat of competition from new entrants. The company faces competition from other manufacturers, traders, suppliers, and importers of electric equipment in relation to its offerings. The power and distribution transformers manufacturing industry are characterized by intense competition, with both global giants and local players vying for prominence in the market. The bargaining power with the customers is medium in the sector in which the company operates. The bargaining power with the suppliers is high in this sector.

### Peer Analysis

**The comparison of the key performance indicators of the listed peers as of Mar-23 is given below -**

Particulars	Supreme Power Equipment Limited	TD Power System Limited	Transformers and Rectifies (India) Limited	VoltAmp Transformers Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	11%	11%	3%	14%
EBITDA Margin	18%	15%	9%	17%
Return on Capital Employed	67%	18%	20%	20%
Return on Equity	61%	16%	11%	18%
EPS (INR)	6.08	6.20	3.07	197.63

**The comparison of the key performance indicators of the listed peers as of Mar-23 is given below -**

Particulars	Supreme Power Equipment Limited	TD Power System Limited	Transformers and Rectifies (India) Limited	VoltAmp Transformers Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	1%	9%	1%	12%
EBITDA Margin	7%	12%	6%	12%
Return on Capital Employed	28%	14%	13%	14%
Return on Equity	7%	13%	4%	14%
EPS (INR)	0.29	4.53	1.06	131.30

**The comparison of the key performance indicators of the listed peers as of Mar-23 is given below -**

Particulars	Supreme Power Equipment Limited	TD Power System Limited	Transformers and Rectifies (India) Limited	VoltAmp Transformers Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	1.0%	7.6%	1.1%	16.2%
EBITDA Margin	7.8%	12.0%	9.3%	11.1%
Return on Capital Employed	25.9%	10.2%	11.6%	8.0%
Return on Equity	5.0%	9.6%	2.3%	13.4%
EPS (INR)	0.15	2.92	0.53	110.92

**Industry Overview**

Exhibit 1: Electricity Generation in India^ (in BU)

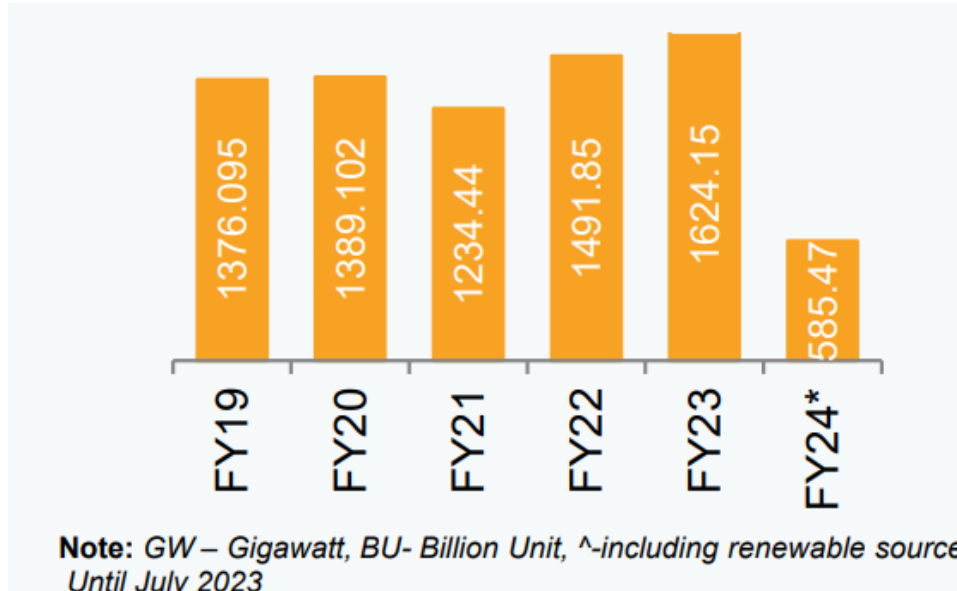
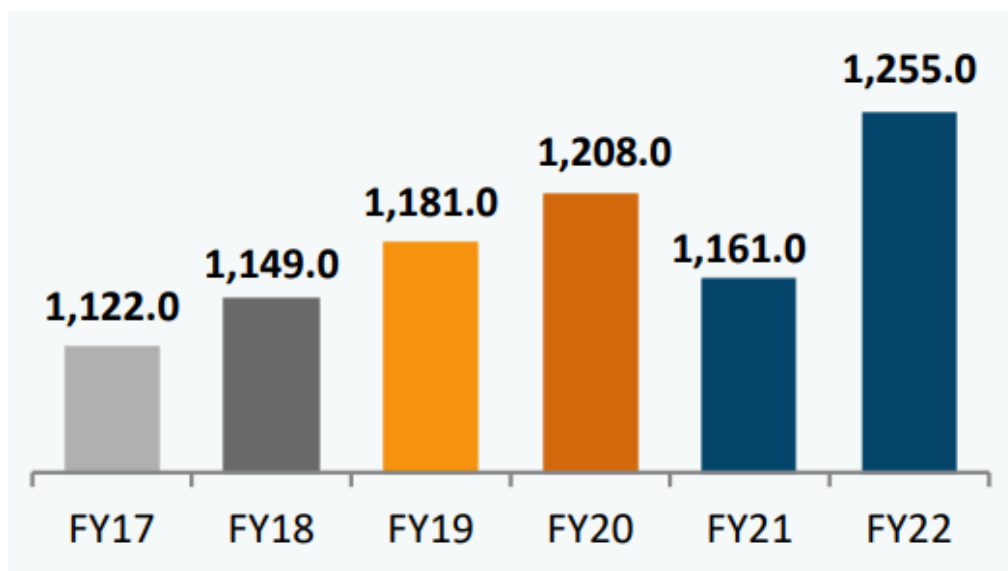


Exhibit 2: Per-Capita Electricity Consumption (KWh)



(Source: ibef.org)



### **Global Transformer Market -**

Transformer Market size is valued at USD 54 billion in 2022 and is anticipated to grow at a CAGR of 7.2% between 2023 and 2032. Large scale integration of renewable energy sources coupled with increasing electrification programs primarily across the emerging economies will accelerate the industry scenario. Favorable government policies for refurbishment of existing grid infrastructure along with growing consumer focus toward smart monitoring units and sustainable electricity networks will further drive the business growth. Increasing regulatory focus toward integration of energy efficient electricity supply systems in line with rapid adoption of smart grid technology will positively influence the industry dynamics.

Power transformer market from the commercial & industrial applications segment is expected to exhibit nearly 7% growth rate between 2023 and 2032. Transformers are a critical component in electrical systems distribution for commercial buildings as they efficiently modify voltage levels to deliver electrical loads based on their voltage requirements. The expanding commercial infrastructure supported by accelerating urbanization and rapid industrial growth will enhance segment share.

### **Power Sector -**

Power is among the most critical components of infrastructure, crucial for the economic growth and welfare of nations. The existence and development of adequate power infrastructure is essential for sustained growth of the Indian economy. The fundamental principle of India's power industry has been to provide universal access to affordable power in a sustainable way. The Ministry of Power has made significant efforts over the past few years to turn the country from one with a power shortage to one with a surplus by establishing a single national grid, fortifying the distribution network, and achieving universal household electrification.

India's power sector is one of the most diversified in the world. Sources of power generation range from conventional sources such as coal, lignite, natural gas, oil, hydro and nuclear power, to viable non-conventional sources such as wind, solar, agricultural and domestic waste. Electricity demand in the country has increased rapidly and is expected to rise further in the years to come. In order to meet the increasing demand for electricity in the country, massive addition to the installed generating capacity is required

The Indian transformer industry is more than five decades old, hence mature. Domestic manufacturers have developed capabilities to manufacture all types of equipment to meet the country's demand for transformers up to 800 Kilovolts (kV) and going up to 1,200 kV. The industry enjoys a good reputation in terms of quality, price, and delivery in the domestic as well as overseas markets. India's transformer market is predominantly unorganized with many small participants catering to the smaller distribution transformer markets. However, many are slowly graduating to the medium-sized category, thus expanding the organized participants' base. There are approximately 300+ transformer companies in India, with an overall installed capacity of over 370,000 Megavolt Amperes, (MVA) per annum. The market is fragmented with 20 organized players including Bharat Heavy Electricals Limited (BHEL), ABB Ltd, Crompton Greaves Ltd (CGL), Areva T&D, EMCO Ltd, Bharat Bijlee Ltd (BBL), Vijai Electricals, Transformers and Rectifiers India Limited (TRIL), Voltamp Transformers Ltd, among others.

(Source: prospectus)



## Key Managerial Personnel

**Vee Rajmohan**, aged 57, is one of the Promoters and Managing Director of the company. He has completed his Intermediate, and Bachelor of Engineering as his undergraduate program and has more than Three Decades of experience in expertise in the commercial and technical sectors. His work area comprises designing, extraction, erection of machinery and testing equipment till commissioning of the same was done by him.

**K V Pradeep Kumar**, aged 55, is one of the Promoters, and Whole-Time Director of the Company. He has completed his Intermediate and Bachelor of Engineering as his undergraduate program and having experience of more than three decades in the field of Transformer Manufacturing, he is a Technocrat with technical expertise in all the segments.

**Devaraja Iyer Krishna Iyer**, aged 68, is the Non-Executive Non-Independent Director of the company. He has 46 years of experience in Electrical Power Systems, especially in Transformer Design and Production. He is in the field of High Voltage Large Capacity Power Transformers, EHV SF6 gas circuit breakers, instrument transformers, bus ducts, and EHV switchyards.

**Perumal Ravikumar**, aged 53, is the Independent Director of the Company. He has 33 years of rich and combined expertise in Talent Acquisition, Performance Management, Employee Relations, The driver of strategies and business plans, Quality Sourcing, Administrative and People Management, and Handling PAN INDIA [36 states] & ASIA -PACIFIC Region. He holds Certifications from 10 Years in the Indian Insurance Industry.

**Saimathy Soupramanien**, aged 47, is the Independent Director of the company. She has more than 25 years of work experience as an Advocate and Company Secretary. She has working experience in VSL India Private Limited, Jain Housing & Constructions Limited and Trimex Industries Private Limited. She is now practising as a Company Secretary for more than 10 years.

To conclude, the company has 2 promoters, and they have vast experience in the industry in which the company operates. The Directors of the company have good experience in the industry directly linked to the industry and in the fields which help in the growth of the company.



## Financial Snapshot

<b>Profit and Loss Statement*</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Jul-23</b>
Revenue from Operations	3,534.82	4,660.47	9,975.94	3,926.27
Other Income	11.68	10.44	14.91	1.34
<b>Total Income</b>	<b>3,546.50</b>	<b>4,670.91</b>	<b>9,990.85</b>	<b>3,927.61</b>
<b>Expenses</b>				
Cost of Materials Consumed	3,249.98	4,265.81	7,605.31	2,947.59
Change in inventories of finished goods, work in progress and stock in trade.	-194.05	-148.36		
Manufacturing Expenses	56.76	63.82	134.55	54.35
Employee benefits expense	54.59	52.19	136.17	41.26
Finance costs	208.33	254.64	267.39	82.81
Depreciation and Amortization expense	33.59	31.39	31.47	10.46
Other expenses	91.38	80.90	284.26	97.32
<b>Total Expenses</b>	<b>3,500.58</b>	<b>4,600.39</b>	<b>8,459.15</b>	<b>3,233.79</b>
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>276.16</b>	<b>346.11</b>	<b>1,815.65</b>	<b>785.75</b>
<b>EBITDA Margin</b>	<b>8%</b>	<b>7%</b>	<b>18%</b>	<b>20%</b>
<b>Profit/(Loss) before tax</b>	<b>45.92</b>	<b>70.52</b>	<b>1,531.70</b>	<b>693.82</b>
Tax Expense				
Current Tax Expenses	11.54	18.36	421.49	189.54
Deferred Tax	0.74	0.32	2.34	1.12
Total Tax Expense	12.28	18.68	423.83	190.66
<b>Profit/(Loss) for the year</b>	<b>33.64</b>	<b>51.84</b>	<b>1,107.87</b>	<b>503.16</b>
<b>Net Profit Margin</b>	<b>1%</b>	<b>1%</b>	<b>11%</b>	<b>13%</b>

<b>Balance Sheet*</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Jul-23</b>
<b>EQUITY AND LIABILITIES</b>				
<b>1. Shareholders' funds</b>				
Share Capital	395.80	395.80	395.80	395.80
Reserve and Surplus	280.15	331.96	1,409.89	1,902.46
<b>Total Equity</b>	<b>675.95</b>	<b>727.76</b>	<b>1,805.69</b>	<b>2,298.26</b>
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>354.91</b>	<b>364.44</b>
<b>Total Equity and Liabilities</b>	<b>675.95</b>	<b>727.76</b>	<b>2,160.60</b>	<b>2,662.70</b>
<b>2. Non-current liabilities</b>				
Long Term Borrowings	257.34	375.89	455.91	426.48
Deferred Tax Liabilities	-	-	17.12	18.24
Long Term Provisions	4.48	4.81	12.63	13.35
<b>Total Non-current liabilities</b>	<b>261.82</b>	<b>380.70</b>	<b>485.66</b>	<b>458.07</b>
<b>3. Current liabilities</b>				
<b>Financial Liabilities</b>				
Short-term borrowings	234.19	264.69	1,543.83	1,727.34
Trade payables	2,151.17	1,933.97	-	-
Due to MSME	-	-	444.45	446.14
Due to Others	-	-	1,713.16	2,855.44
Other Current Liabilities	17.28	5.24	119.78	414.37
Short-term Provisions	11.54	18.36	433.56	623.10
<b>Total Current liabilities</b>	<b>2,414.18</b>	<b>2,222.26</b>	<b>4,254.78</b>	<b>6,066.39</b>
<b>Total Liabilities</b>	<b>2,676.00</b>	<b>2,602.96</b>	<b>4,740.44</b>	<b>6,524.46</b>
<b>Total Equity and Liabilities</b>	<b>3,351.95</b>	<b>3,330.72</b>	<b>6,901.04</b>	<b>9,187.16</b>
<b>ASSETS</b>				
<b>1. Non-current assets</b>				
Property, Plant and Equipment				





<b>Balance Sheet*</b>				<b>(In Lacs)</b>
Tangible Assets	296.65	267.93	460.88	1,101.85
Capital Work in Progress	-	-	2.56	2.56
Long term Loans and Advances	-	-	268.35	255.28
Other Non-current assets	139.68	161.53	-	-
<b>Total Non-Current assets</b>	<b>436.33</b>	<b>429.46</b>	<b>731.79</b>	<b>1,359.69</b>
<b>2. Current assets</b>				
Inventories	831.59	979.96	2,041.42	2,833.65
Trade receivables	1,546.74	1,787.38	3,261.05	4,564.02
Cash and Bank Balances	271.71	34.36	554.49	3.74
Short-term loans and advances	50.95	14.42	-	-
Other Current Assets	214.63	85.15	312.30	426.06
<b>Total Current assets</b>	<b>2,915.62</b>	<b>2,901.27</b>	<b>6,169.26</b>	<b>7,827.47</b>
<b>Total Assets</b>	<b>3,351.95</b>	<b>3,330.73</b>	<b>6,901.05</b>	<b>9,187.16</b>

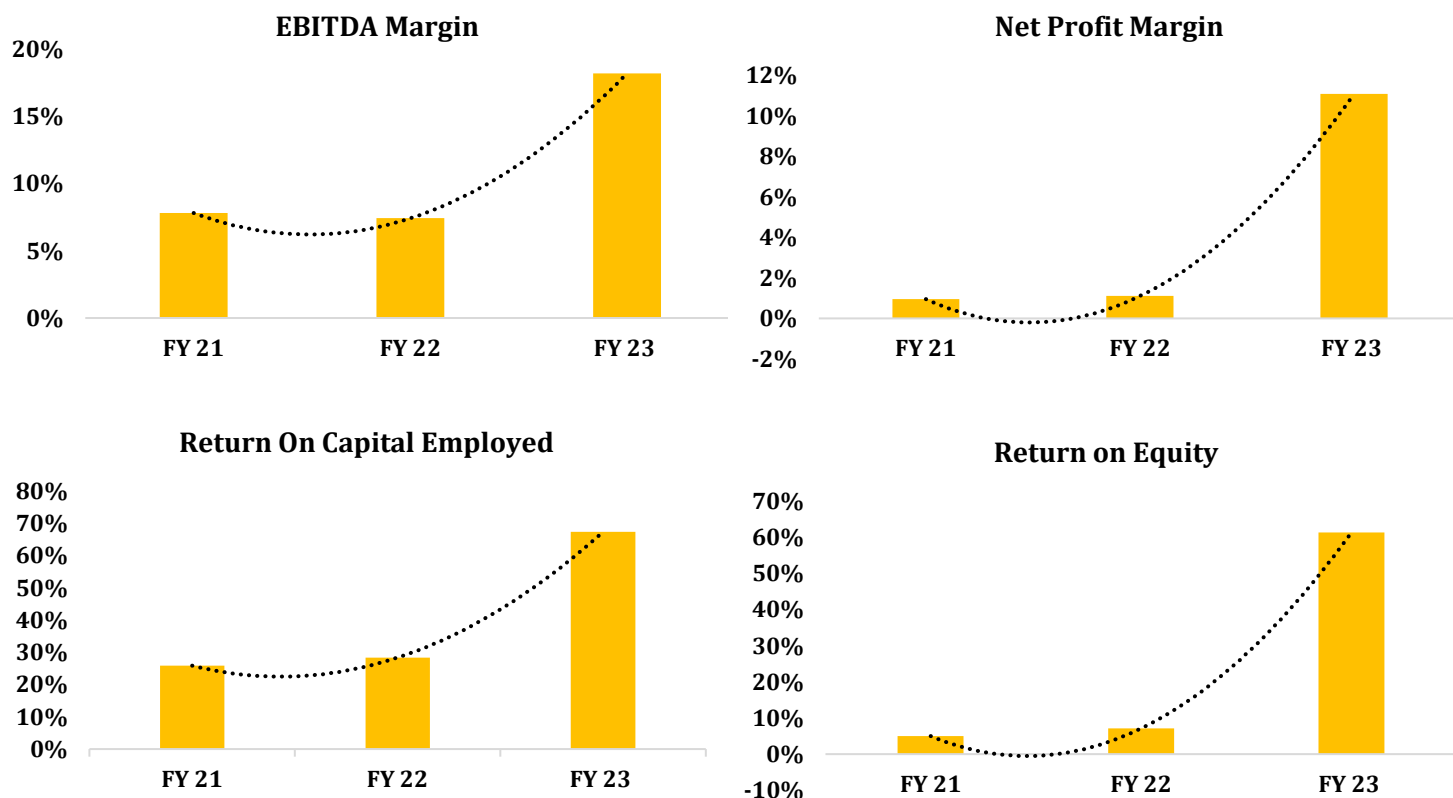
<b>Cash Flow Statement*</b>				<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Jul-23</b>
Net Cash Flow from Operating Activities	571.46	-131.43	1,006.93	123.33
Net Cash Flow from Investing Activities	8.70	7.80	15.56	-651.31
Net Cash Flow from Financing Activities	-335.06	-113.70	-333.38	-22.77

<b>Ratio Sheet</b>				
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Jul-23**</b>
<b>Per Share Data</b>				
Diluted EPS	0.15	0.29	6.08	6.23
BV per share	2.70	2.91	7.23	32.09
<b>Operating Ratios</b>				
EBITDA Margins	7.81%	7.43%	18.20%	20.01%
PAT Margins	0.95%	1.11%	11.09%	13.22%
Inventory days	85.87	76.75	74.69	88.05
Debtor days	159.71	139.98	119.32	141.82
Creditor days	241.59	165.48	93.74	107.70
<b>Return Ratios</b>				
RoCE	26%	28%	67%	23%
RoE	5%	7%	61%	19%
<b>Valuation Ratios (x)</b>				
EV/EBITDA	3.24	3.85	1.79	4.31
Market Cap / Sales	4.60	3.49	1.63	1.38
P/E	433.33	224.14	10.69	10.43
Price to Book Value	24.03	22.32	9.00	2.03
<b>Solvency Ratios</b>				
Debt / Equity	0.73	0.88	1.11	0.94
Current Ratio	1.21	1.31	1.45	1.29
Quick Ratio	0.86	0.86	0.97	0.82
Asset Turnover	1.05	1.40	1.45	0.43
Interest Coverage Ratio	1.16	1.24	6.67	9.36

\*FY 21, and FY 22 data are given on a Standalone basis and FY 23, and the Period Ended July-23 are given on a Consolidated basis.

\*\*Ratio sheet for Oct-23 is annualized.

## Financial Charts



## Key Risk Factors

1. The Promoters/ Directors are involved in certain legal proceedings/litigations. Any adverse decision in such proceedings may render them liable to penalties and may adversely affect the business and result of operations.
2. The Company has negative cash flows from its operations for the FY ended 2022. Sustained negative cash flow could impact the growth and business.
3. The company's top 10 customers contributed 81.98%, 87.92%, 82.74%, and 75.38% for the FY ended 2021, 2022, 2023, and Period Ended July 2023 respectively. Any loss of business from one or more of them may adversely affect the revenues and profitability.



### Track Record of Lead Manager

The lead manager to the issue is Narnolia Financial Services Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

#### Narnolia Financial Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	WomanCart Limited	9.56	86.00	October 27, 2023	141.00
2.	Inspire Films Limited	21.23	59.00	October 05, 2023	62.50
3.	Cellecor Gadgets Limited	50.77	92.00	September 28, 2023	266.30
4.	Yudiz Solutions Limited	44.84	165.00	August 17, 2023	140.00
5.	Drone Destination Limited	44.20	65.00	July 21, 2023	150.00

\*CMP for the above-mentioned companies is taken as of 21<sup>st</sup> December 2023.

As per the offer document, Narnolia Financial Services Limited has had 5 mandates in the last three years (including the current year). For Narnolia Financial Services Limited, all the above-mentioned mandates have opened at premiums on the listing date.



### Recommendation

The company has been in the industry since 2005 and has vast experience in the industry. The company's management overview is satisfactory. The company also faces significant competition in the industry.

The P/E on a post-IPO basis is 14.66 times which seems to be fairly priced by looking at the performance of the company. The sector P/E is 39.9 times.

The company has seen an exponential increase in the bottom line of its financials over the years. The profitability margins have also seen exponential growth which may or may not be sustained going forward. The company operates in an industry which faces heavy competition. The company has an integrated business model. Sustained earnings can do good to the company. Thus, we recommend **Risk Averse - Should Wait Risk Seekers - Should Apply** applying to this IPO.



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