“Supreme Power Equipment Limited

H1 FY27 Results Conference Call

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

MODERATOR: **MR. PARTH ACHARYA – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to the Supreme Power Equipment Limited H1 FY27 Results Conference Call. 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 call is being recorded. I would now like to hand the conference over to Mr. Parth Acharya from Kirin Advisors. Thank you, and over to you, sir.

Parth Acharya: Thank you. Good morning, everyone. On behalf of Kirin Advisors, I welcome you all to the conference call of Supreme Power Equipment Limited. From the management team, we have Mr. Vee Rajmohan, Chairman and Managing Director of the company. With that, I now hand over the call to Mr. Vee Rajmohan for the opening remarks. Over to you, sir. Thank you.

Vee Rajmohan: Good morning, everyone. On behalf of Supreme Power Equipment Limited, I welcome you all to our H1 FY27 earnings conference call. Thank you for joining us and for your continued interest in the company. I hope you have had an opportunity to review our financial results and investor presentation.

I will briefly take you through our performance for the first half of the year, key operational developments and our priorities going forward, following which we will be happy to take your questions. Supreme Power Equipment has over three decades of experience in transformer manufacturing, with capabilities across power and distribution transformers catering to utilities, renewable energy, industrial and infrastructure customers.

Over the years, we have continued to strengthen our engineering capability, manufacturing infrastructure and customer relationship while expanding into higher-capacity transformer segments. Coming to our financial performance. H1 FY27 was a strong period for the company. Income stood at INR135.57 crores, registering growth of 79.91% year-to-year.

EBITDA has increased by 65.46% year-to-year to INR23.62 crores, with an EBITDA margin of 17.42%. Profit after tax grew by 45.09% to INR13.65 crores, with a PAT margin of 10.07%. Earnings per share for the period stood at INR5.46. We are particularly pleased with the strong order momentum witnessed during the first half of the year.

During H1 FY27, we secured 11 orders aggregating INR209.24 crores, with execution timelines ranging between 7 months and 17 months. This healthy order inflow reflects the continued confidence of our customers in our technical capability, product quality and execution track record. Another encouraging development during the period was the expansion of our geographical presence into Maharashtra.

This marks an important step in broadening our marketing reach beyond our traditionally strong presence in South India and provides us with the opportunity to build relationships with a wider customer base. Our current order book stands at over INR565.80 crores, providing strong execution visibility for the coming periods.

The combination of a healthy opening order book and robust fresh order winning during H1 gives us confidence in the growth trajectory of the business as we move into the second half of the financial year. Importantly, around 70% to 75% of our order book is covered under price variation clauses, which provides a degree of protection against volatility in key raw material prices.

During the period, we have seen pressure from higher prices of key inputs, particularly CRGO steel and transformer oil. These movements can impact margins, especially where there is a timing difference between increase in input costs and the corresponding adjustment under the price variation clause.

We continue to manage this through disciplined procurement, appropriate commercial terms and a continued focus on protecting profitability. Operationally, the ramp-up of our Kannur manufacturing facility is progressing well. The expanded manufacturing infrastructure strengthens our ability to execute a larger order book, cater to higher-capacity transformer requirements and participate in a broader set of opportunities.

We are encouraged by the demand environment across the transformer industry, supported by continued investments in transmission and distribution infrastructure, renewable energy integration and industrial expansion. With our strengthened manufacturing capacity, growing order book and improving market presence, we believe we are well-positioned to capture these opportunities.

As we move into the second half of FY27, our priorities remain clear: timely execution of the existing order book, continued focus on securing quality orders, scaling up utilization of Kannur facility, managing raw materials and working capital efficiently, and maintaining healthy profitability.

Overall, we are pleased with the progress made during the first half of the year. The strong financial performance, healthy order wins and expansion into new markets reinforce our confidence in the direction of the business. Before concluding, I would like to thank our employees for their continued efforts, our customers, our business partners for their trust and our shareholders for their continued support. Thank you, once again, for joining us today. With that, I would like to open the floor for questions.

Moderator: Thank you, sir. We will now begin the question-and-answer session. The first question comes from the line of Garvit Goyal with Serene Alpha. Please go ahead.

Garvit Goyal: Hello. Hi, I am audible?

Vee Rajmohan: Yes, very much audible, sir. Good morning. Welcome.

Garvit Goyal: Good morning, sir. And congrats for a good set of numbers. I have two questions. As you mentioned, the demand environment is pretty good, right? I wanted to understand from you regarding the pipeline and conversion into H2 FY27. So, what amount of orders are we expecting in H2 FY27 and what will be our closing order book by this year-end? Also, looking at first half

number, our execution has been pretty good. So, considering that, now are you confident enough to cross INR300crores for this financial year?

Vee Rajmohan: Yes. Actually, now the demand environment is very good and the sector is also very good. Since the Union Government and the State Governments showing much interest in expanding the transmission network, the demand is very high. That is one thing. Next, the order book in the pipeline is very huge, and we are securing orders based on the quality of the orders and the terms. With that, I think we believe, with the end of the year, we may maintain between -- the order book may maintain between INR600 crores and INR800 crores. I think I have answered your questions.

Garvit Goyal: No. Actually, one more thing. Last quarter, you mentioned about INR275 crores for this financial year. But looking at H1 execution, which is pretty good for us, now are you confident enough to do anywhere between INR300 crores and INR350 crores top line in FY27?

Vee Rajmohan: Yes. This year, we believe -- we trust we should fetch revenue between INR300 crores and INR350 crores. Already, we have done INR135 crores on a consol. INR135 crores we have done. So I think balance INR200 crores or INR215 crores, INR220 crores maybe we can achieve easily.

Garvit Goyal: Got it. And secondly, on the margins front, you highlighted a bit in the opening commentary about the input cost pressure, right, despite your efforts toward optimum utilization and better inventory management or whatever it is. I just wanted to understand from you, how are you seeing the margin profile for the full year FY27?

Because what I am understanding is that our product mix is getting changed now, right? We are moving toward higher-capacity transformers, which provide a better realization. So, one, the product mix is getting changed, and another thing is the input cost pressure, provided you are having 75% of your contract is PVC, right? So, considering both these things, what do you think in terms of margins, how it should shape up in the second half and for full year FY27?

Vee Rajmohan: As per our order book, which we are holding in hand, the expected margin, and it is almost 80% is covered with the PVC. Now the order book is around INR565 crores, out of which we have INR200 crores to INR250 crores is expected to executed by this year. And based on the order book, the margin can be maintained between -- the PAT margin can be maintained between 9% to 12%. Because major portion of the order book is covered with the price variation clause, and we have secured orders. So based on that, the expected margin can be achieved.

Garvit Goyal: Okay sir. Why are we sitting.

Moderator: I'm sorry to interrupt, Mr. Garvit.

Garvit Goyal: It's a follow-up to the response from management. I'm asking why we are speaking about this 9% thing? Is it the effect of the input cost pressure is more severe than the improvement that we expected from the product mix change?

Vee Rajmohan: No, that is -- see, in the month of January, we had not expected any war, and we didn't expect any price rise. So from there, we have started taking orders with price variation clause. So -- and we cannot be more precise on the margin, so we are giving guideline on a range between 9% to 12%. So we cannot be more precise on that. It can be only on the range.

Garvit Goyal: Got it. Earlier, this range used to be 10% to 12%. That's why I asked this question. Okay, anyways I got my answer. Thank you very much sir and all the best for the future.

Vee Rajmohan: Thank you sir. Thank you very much.

Moderator: The next question comes from the line of Disha with Sapphire Capital. Please go ahead.

Disha: Hello?

Vee Rajmohan: Hello. Welcome madam.

Disha: Am I audible, yes thank you so much for this opportunity. Couple of questions, sir. Firstly, sir, on this margin, you clarified that because of the raw material cost inflation has gone up, because of that we had an impact. But just given -- are we facing any procurement issues for our key raw materials for transformer oil? Do we already have contracts in place? What sort of risk do you see to execution, if any you see?

Vee Rajmohan: See, majorly, our order book is -- 70% to 80% of our order book is fully covered with price variation clause. So that is a good one. So whatever the price escalation, it will be covered, so the margin will not affect much. And we are in this business for more than three decades, and we have very long relationship with our vendors. And based on that, the procurement is not much difficult to us.

Disha: Right. So the execution you don't see any risk in terms of any raw material delays or anything?

Vee Rajmohan: Yes, but there is a demand. Now, we are expecting some demand going to -- that is for CRGO, we are expecting some price rise, which we have -- already we have addressed.

Disha: Okay, fair. And sir, just Tamil Nadu, this new -- firstly on our both the capacities. In Tamil Nadu, what will be our peak utilization that can we achieve there? And what will be the peak revenue from Tamil Nadu versus the Kannur plant?

Vee Rajmohan: I could not get your question perfectly. Could you repeat?

Disha: Yes, am I audible now?

Vee Rajmohan: Yes, audible.

Disha: Yes, So our Tamil Nadu plant is I think operating at around 70% to 80% utilization, right? So, what is the maximum utilization?

Vee Rajmohan: I mean, madam, both the plants are in Tamil Nadu only.

Disha: Yes. So the first plant, the existing old plant that is operating at 70% to 80%, right?

Vee Rajmohan: Yes.

Disha: So, what's the maximum utilization level we can achieve there and what sort of peak revenue do we see from that plant?

Vee Rajmohan: That is, you are asking about Unit 1? That is the old plant.

Disha: Right, Unit 1, yes.

Vee Rajmohan: Yes. There we can do up to INR70 crores to INR80 crores per annum.

Disha: Okay. And sir, for this new plant that we've commercialized in Feb, what's the utilization that we targeting for this year?

Vee Rajmohan: From the new plant, we are expecting INR200 crores to INR250 crores.

Disha: And the max that of the -- both the plants combined is around INR550 crores revenue potential, is that correct?

Vee Rajmohan: Yes, up to INR550 crores to INR600 crores will be the peak revenue.

Disha: Which we can achieve in the next year, will it be fair to assume that?

Vee Rajmohan: Yes, yes. It is expected in next year.

Disha: Sir, for this new plant we are going through a lot of MVA -- transformer. So, what sort of margin differential do you see versus the lower KV class?

Vee Rajmohan: Actually, for power transformers, the margin is slightly higher than the distribution transformer. But at the same time, it is absorbed by the overheads. So, it needs skilled manpower, so we have to deploy experienced people. So, this 0.5% or 1% margin is absorbed by the -- so this margin will maintain and it will sustain.

Disha: With this current order book and the order pipeline.

Moderator: Sorry to interrupt Disha ma'am, I would request you to please come back in the queue for further questions.

Disha: Just -- this is a follow-up to the previous question.

Moderator: Yes, please.

Disha: Sir, for this current order book that we have and the pipeline also that we are bidding for, how much is this for the higher-kV class transformers? If you'd give a split between the two?

Vee Rajmohan: Yes, that product mix you are asking.

Disha: Correct.

Vee Rajmohan: Out of this INR565 crores, distribution is around 16% to 17%, that is less than INR95 crores. And power transformer is around INR440 crores that comes around 78% -- 75% to 78%. And inverter duty transformers is around INR30 crores, that comes 5% of the total order book. This is the product mix.

Disha: And for the pipeline -- the orders that we are bidding for, any sort of mix there?

Vee Rajmohan: That we cannot assure. We have quoted so many tenders so many customers, that on receiving the purchase order only we will be able to conclude that.

Disha: Fair enough. Okay that is it sir from my side. Thank you so much and all the best.

Vee Rajmohan: Thank you very much.

Moderator: The next question comes from the line of Mukesh Panjwani with WC Securities. Please go ahead.

Mukesh Panjwani: Hello sir. Good morning and congratulations for good set of numbers.

Moderator: Thank you very much and I welcome you sir.

Mukesh Panjwani: I have just one question that our order book is around INR565 crores. So what would be the execution timeline of this entire order book?

Vee Rajmohan: Actually as per customer requirements, before the end of this March 2027, INR353 crores is to be executed. After March, it's INR212 crores. So, this customer requirement and we are giving a guideline between INR200 crores and INR225 crores further that is in Q2 sorry H2? Customer requirement is more than INR350 crores.

Mukesh Panjwani: Okay. In H2 itself more than INR300 crores of order is to be executed?

Vee Rajmohan: Yes, as per customer requirements.

Mukesh Panjwani: And specifically if that's possible for us to execute?

Vee Rajmohan: Yes, we're aiming for INR200 crores to INR250 crores hereafter, that is in H2. So already we have done INR130. Yes it is possible.

Mukesh Panjwani: Possible, okay. Got it. Okay sir. Thank you and all the best.

Vee Rajmohan: Thank you very much. Thank you.

Moderator: Thank you. The next question comes from the line of Paras Chheda with Purpleone Vertex Ventures. Please go ahead.

Paras Chheda: Good morning sir and thank you for this opportunity. Congratulations on a fairly strong set of results. Sir just two queries. Just for the share of clarification, you said there is a good chance we could hit our peak utilization of INR550 crores to INR600 crores potentially in FY28. Is that correct, sir in my understanding?

Vee Rajmohan: Yes. We are expecting -- actually in earlier calls, in next 2 years we would achieve the INR600 crores. But now things are moving in good direction and I think next year we can go up to INR550 crores.

Paras Chheda: Understood sir. And in fact in terms of customer requirement being INR353 crores and our target -- our guidance being INR250 crores. So, that mismatch of INR100 crores, how are we looking at it? Whether we potentially can even meet that or I mean how it is?

Vee Rajmohan: Actually, customer they have placed orders one year before or 8 months, 9 months before. The timeline of the project may extend for the customer. So we have duly considered that and on a conservative way, we have taken this figure and customer requirements is INR553 crores this year, that is before March. And we are -- I think we can execute up to another INR200 crores apart from this INR135 crores in H1.

Paras Chheda: Right. Sir, just one thing. Since the first half of this year, we saw a lot of this disruption even in input prices etcetera. And now that we have got 90% price variation clause in most of our orders, including going forward, you would be building -- factoring a lot of these into consideration. And now that their scale goes up, is there any possibility of operating leverage in terms of margin expansion, potentially EBITDA margin for next year, let's say if not this year?

Vee Rajmohan: Actually, our marketing people, they are choosing the order, especially based on the margin. So this margin I think this -- we believe this margin will sustain.

Paras Chheda: Okay. Sir, just one more thing in terms of working capital. We saw this inventories and trade receivables shot up sharply for first half. When do you expect this to normalize and turn cash flow positive in terms of cash flow from operations?

Vee Rajmohan: Yes, because we are expecting this year revenue -- top line of INR350 crores. And for that, we need to keep inventory at least to 2 months to 2.5 months inventory we need to hold. So on that basis, see, this inventory will maintain, that is INR60 crores, INR70 crores of inventory we'll maintain. And with that we need to increase the revenue. So rather reducing inventory, here we need to increase the revenue. So I think this will get normalized in the next quarter, but the inventory, we have to maintain that.

Paras Chheda: Understood. So, overall, working capital and especially trade receivables and the revenue, so cash flow from operations may turn positive in the second half or will take some time?

Vee Rajmohan: Yes, it should get positive in this second half.

Paras Chheda: In this second half. Understood. And sir, just last query. In terms of the demand outlook with PM Ghar etcetera and now, of course, a lot of transformer capacity is also coming up and has

come up. So, how do you see, in terms of the length of the cycle, this transformer trends in terms of demand is sustaining going forward?

Vee Rajmohan: As per market information, next 8 to 10 years, there will be good demand for this power sector.

Paras Chheda: Right, but vis-a-vis the capacity that has come up and coming up?

Vee Rajmohan: And our capacity is -- when compared to the overall capacity expansion, our capacity is too low. So I think this will not impact our business.

Paras Chheda: Right. And as we speak, any plans for capacity expansion or capex in the next year?

Vee Rajmohan: Yes. Next year, we have to think and plan about that.

Paras Chheda: We can plan about that. Understood sir. Fair enough. I think that's about it for now. Thank you so much.

Moderator: The next question comes from the line of Mohammed Nameer with Eiko Quantum Solutions.

Mohammed Nameer: Hi, good morning. Thank you for the opportunity.

Moderator: Sorry sir, we are unable to hear you, could you please use your handset.

Mohammed Nameer: Am I audible now? Hello. Am I audible?

Moderator: No sir. Sir I would request you to please join back the queue.

Mohammed Nameer: Sure.

Moderator: Thank you. The next question comes from the line of Koustubh Shaha with Wallfort PMS. Please go ahead.

Koustubh Shaha: Hi, sir. Thank you for the opportunity.

Vee Rajmohan: Welcome, sir.

Koustubh Shaha: Yes, a couple of questions. So, how is our ramp-up at the new facility going on? And how much utilization are we planning in the next year in the new facility?

Vee Rajmohan: Yes. This year, we are expecting 50% of -- 40% to 50% before this March. And next year, almost 80%, I think we should utilize.

Koustubh Shaha: Okay. And sir, in terms of H1, what was the MVA that was delivered, if you could help me with the number? How much volumes have we delivered?

Vee Rajmohan: Yes. One second. The data, I will reveal you. The data, I don't have now.

Koustubh Shaha: Sure. Okay, sir.

Vee Rajmohan: That I will share you. You can mail it to us, we will share you.

Koustubh Shaha: All right. Thank you for the opportunity, and all the best for the future. Thank you.

Vee Rajmohan: Thank you.

Moderator: The next question comes from the line of Mahesh Attal with Dhairya Investment Advisors. Please go ahead.

Mahesh Attal: Congratulations on the good numbers, sir.

Vee Rajmohan: Thank you, sir.

Mahesh Attal: Sir, just wanted to know the demand scenario, and out of this INR135 crores number that we have reported, how much of it is from the power and how much of it is from the distribution segment?

Vee Rajmohan: Almost like 60% will be from power transformer and the balance from distribution and inverter duty transformers.

Mahesh Attal: So, when you say that the power commands a higher margin and we have reported an EBITDA margin of somewhere around 17% odd. So, is it fair to assume that as our power turnover increases, maybe I think what you have communicated is that the next turnover will have major power share rather than having a distribution share.

Vee Rajmohan: Correct.

Mahesh Attal: So, is it fair to assume that there could be a slight increase in the margins going ahead because you are moving more to the power trajectory?

Vee Rajmohan: Yes. Your question is perfect. But here, on manufacturing of power transformers, the overheads also increases. So, this 1%, 1.5% increase in margin will absorb by the overheads. So, we believe this margin will sustain.

Mahesh Attal: All right. And sir, how much of the business is from the government side and how much is from the private side, sir, in the INR350 crores that we are going to do in this year?

Vee Rajmohan: Yes. On that actually…

Mahesh Attal: On the…

Vee Rajmohan: Yes. On INR565 crores, almost 27%, 28% is from government and balance 72%, 73% from non-government.

Mahesh Attal: The same will be for this current year also, INR350 crores?

Vee Rajmohan: Yes, almost. Yes. This is for the overall order book. And I think it should be in the same ratio only, for this year.

Mahesh Attal: And sir, what is the receivable cycle with the government and with the private, if you can…

Vee Rajmohan: Yes. Private, some customers, we are getting advance. Most of the customers we get 10% to 30% advance. And before dispatch, we use to get 90% and balance 5% to 10% will be after commissioning. And for repeat customers, we used to give credit for 45 days to 60 days. From the government, we get payments in 60 to 90 days.

Mahesh Attal: Okay. So, would it be the management's call that you still want to continue with the government or you are not finding enough orders from the private side?

Vee Rajmohan: No. We need to continue with the government, because there only we will get -- we can build our credentials. Now, we have post tender for 50 -- sorry, we got order from TANGEDCO for a 50 MVA. And now we have posted tender for 160 MVA. So these type of credentials we can build from the government. So based on that, on the supply history, we will be able to rule the private market. So, we need to have some portion with the government business, B2G.

Mahesh Attal: Fair enough, sir. All the best.

Vee Rajmohan: Yes, this will maintain. This 20% to 30% will maintain.

Mahesh Attal: Sure, sir. All the best. Thank you.

Vee Rajmohan: Thank you, sir. Thank you.

Moderator: The next question comes from the line of Sunil Kateshiya with Tanush Investments. Please go ahead.

Sunil Kateshiya: Sir, good morning and congratulations for the good set of numbers.

Vee Rajmohan: Welcome, sir. Welcome you.

Sunil Kateshiya: Hello? Yes.

Vee Rajmohan: Yes.

Sunil Kateshiya: Sir, you have mentioned, saying that the expansion which we have done currently, which is INR550 crores capacity, and which will get utilized by next year, by 2028. And accordingly, we are growing by 70% to 80% annually. And you have already mentioned saying that for next 8 years we can see such demand.

So, what is our plan on a long-term basis like over a -- by 2030 or 2032, that what are we aiming? Are we going to expand similarly or do we have a capacity to expand based on the cash flows considering we are still not good at cash flow point of view as far as credit terms are concerned?

Vee Rajmohan: Correct. Next year -- you are asking about the expansion, correct?

Sunil Kateshiya: Correct.

Vee Rajmohan: Yes. That we have to plan next year only.

Sunil Kateshiya: Okay. And what size of expansion we are thinking again?

Vee Rajmohan: These things we have not yet planned. The planning will be done only in the next year.

Sunil Kateshiya: Okay. Understood.

Vee Rajmohan: So, this…

Sunil Kateshiya: Can we expect -- yes.

Vee Rajmohan: The Kannur capacity, we have signed almost INR100 crores to INR120 crores. But for the next expansion it will be much bigger.

Sunil Kateshiya: Okay.

Vee Rajmohan: Should be much bigger.

Sunil Kateshiya: Okay. Can we expect continue at least 50% to 60% growth every year for next 4 to 5 years?

Vee Rajmohan: No. Next 2 to 3 years -- next 2 years, I think this facility will be fully utilized.

Sunil Kateshiya: Okay. Understood. Okay. Great, sir. And what are the plans to improve our cash flow?

Vee Rajmohan: Yes. That we are seriously working on it. That is the receivable cycle.

Sunil Kateshiya: Okay. That's all from me. Thank you so much.

Vee Rajmohan: Okay, sir. Thank you.

Moderator: The next question comes from the line of Charchit Maloo with Genuity Capital. Please go ahead.

Charchit Maloo: Hello. Hi, sir. Thanks for the opportunity.

Moderator: Hello.

Charchit Maloo: Just one question. Sir, what was the current utilization…

Moderator: Sir, we can't hear you clearly. Can you speak a bit louder, please?

Charchit Maloo: Yes. So, just wanted to ask like what was the current utilization as of H1 FY27?

Vee Rajmohan: It's around 20% to 30%. This year, I think we believe we should achieve at least 40% to 50% utilization, this year.

Charchit Maloo: Utilization. And sir, any positive news from data centers that I think we were talking earlier?

Vee Rajmohan: Actually, data centers is a very interesting topic. Their requirement is very huge and their requirement is for larger power transformers, that is more than 160 MVA, 200 MVA like that. So, we need to build our credentials to approach data centers. And as of now also, we are approaching data centers. And as of today, we have not received any order from data center. So we need to build the credential and we need to do type test -- for prototype test for the higher MVA transformer, larger power transformers with extra high voltage.

Charchit Maloo Understood, sir. And sir, one last thing. What was the average realization this quarter and in H1?

Vee Rajmohan: What is the realization?

Charchit Maloo Yes.

Vee Rajmohan: That is realization. Total revenue is INR135 crores for H1.

Charchit Maloo And realization per MVA?

Vee Rajmohan: Again, that depends upon the product mix. Distribution transformer will be around INR20 lakhs per MVA. Power transformer will be around INR10 lakhs.

Charchit Maloo Thank you very much. Okay. Great sir. Thanks sir and all the best.

Vee Rajmohan: Thank you.

Moderator: Thank you. The next question comes from the line of Harinder Singh, an individual Investor. Please go ahead.

Harinder Singh: Yes. Thank you for your time. So, and thanks for the good results we have posted. My only query is, since you have told that power transformers is more margin, but it has a longer lead time also. And one of the major component, which goes into it is the bushings. So just wanted to check with you, you have dependency for these bushings on China all the typical OEMs who are facing issues with the deliveries or you are dependent only on Indian suppliers for these bushings?

I just want to make sure that whatever power transformers orders we have, the deliveries are not impacted because of the bushings because lead time of these bushings from China is also 3 months.

Vee Rajmohan: Yes, absolutely right. Actually, demand for bushings, this particular rather, that is above 230 kV voltage only the demand is there. But less than that voltage, we are getting -- the supply is not interrupted. As we said, the demand -- the supply time line is very high for bushings, which the voltage class is above 220 kV. And majorly, our order books are less than that. That is mostly our order book covered with 110 kV class and less for this year. So, we don't find any problem in getting bushings. And for high voltage…

Harinder Singh: Sorry. Go ahead, please. Sorry.

Vee Rajmohan: We have 2, 3 orders for -- that is 2, 3 orders for above 220 kV. So, for that, we have booked bushings and we will receive on time.

Harinder Singh: Okay. And all the sourcing we are doing from India or we are dependent on China like Siemens etcetera...?

Vee Rajmohan: China, yes, we are placed -- we are negotiating with China supplier for these 2, 3 orders. And mostly, we are getting it within India.

Harinder Singh: Okay. And that's why these inventories which you are showing in your stock is good to have unless -- because based on the lead time, if you have given -- if you are paying for the inventory cost and -- but you are giving a lesser lead time to the customers, you will end up getting more margin at that point of time. So whatever items which are -- which has a longer lead time, it's good to have inventories in current kind of scenario. And as you said, government customers are also important. Do you have any plans to get into PGCIL because that's the one government approval, which will help you to enter into all the private sector in India?

Vee Rajmohan: Yes, absolutely, what you said is right. And this PGCIL approval is on the process. So we need to -- this all documents is getting ready. And we are yet to approach PGCIL. So, this year, within a year, we should -- we believe we should get the PGCIL approval.

Harinder Singh: Sir, this should be the top priority because if you get into this PGCIL approval, then you don't have to go to the local private players, you are automatically approved everywhere because this is something which everybody asks for.

Vee Rajmohan: Correct. Absolutely right. We are approaching them. Since our plant is new, some documentation has to be prepared and type test certificates all to be acquired. So with the base document -- these are the base documents to be submitted. This type test certificate for 100 MVA, 50 MVA, these are under process. So now this 50 MVA for TANGEDCO is getting ready. So...

Harinder Singh: Yes. Now the kind of requirement which government has, they are given…

Moderator: I'm sorry to interrupt Mr. Singh, I would request you to please come back in the queue for question.

Harinder Singh: Last follow up…

Vee Rajmohan: Yes.

Harinder Singh: So only thing is -- so government has also given flexibility to all the manufacturers nowadays since the type test is also taking time. So you submit your short circuit calculation, they are approving the suppliers. So you can try to get into this and you can -- with the short circuit calculation that will help you to get these approvals on time.

Vee Rajmohan: Most of the government tenders are calling for the type test. And this may be for a specific approval. As you said, most of the government tenders on the BQR, that is bid qualification requirement itself, there are a few points on bid qualification requirement. On that this type certificate submission is mandatory. So maybe in some cases, they may give a special approval like that, but we don't come across such approvals.

Harinder Singh: Yes. Okay. And the projects which you are quoting right now is with September LME, right? So just wanted to check if you are quoting -- if you're getting your advance and you have quoted with September LME in October and you are getting the payments as per LME clause when you are supplying after 7 months from here, this profit pressure is coming into.

Vee Rajmohan: See, actually, this price variation clause will be calculated 1 month before. That is now we are in October.

Harinder Singh: you will take.

Vee Rajmohan: Yes. So based on that only, we will be quoting and concluding the orders. From there, the price variation calculation will take action.

Harinder Singh: Yes. And then from where this margin pressure is coming, then if everything is protected, you have quoted as per LME, you got the advance, you got the payment on the date of dispatch as per LME. From this profit pressure is coming from there in that case because input cost will not go up because you have covered everything as part of your quote?

Vee Rajmohan: Yes. That is the reason we are able to maintain this 9% to 12% margin. Otherwise, it will go down.

Harinder Singh: Okay, sir. Best of luck, sir. Very good results. Thank you.

Vee Rajmohan: Thank you. Sir thank you so much.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr**.** Parth Acharya for closing comments.

Parth Acharya: Thank you, everyone, for joining the conference call of Supreme Power Equipment Limited. If you have any further queries, you can write us at research@kirinadvisors.com. Once again, thank you, everyone, for joining the conference.

Vee Rajmohan: Thank you very much.

Moderator: Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

Management: Thank you.