

Hitachi Energy

Estimate changes	↑
TP change	↑
Rating change	↔

Bloomberg	POWERIND IN
Equity Shares (m)	45
M.Cap.(INRb)/(USDb)	694 / 8.1
52-Week Range (INR)	16981 / 8738
1, 6, 12 Rel. Per (%)	16/26/32
12M Avg Val (INR M)	1212

Financials Snapshot (INR b)			
Y/E MARCH	FY25	FY26E	FY27E
Net Sales	63.8	91.1	121.1
EBITDA	6.0	11.8	17.0
PAT	3.5	7.6	11.2
EPS (INR)	77.5	170.1	250.0
GR. (%)	100.5	119.6	47.0
BV/Sh (INR)	993.9	1,172.8	1,435.8
Ratios			
ROE (%)	8.2	15.3	18.3
RoCE (%)	9.2	16.2	19.1
Valuations			
P/E (X)	200.9	91.5	62.2
P/BV (X)	15.7	13.3	10.8
EV/EBITDA (X)	110.1	55.0	37.6
Div Yield (%)	-	-	-

Shareholding pattern (%)			
As On	Mar-25	Dec-24	Mar-24
Promoter	71.3	75.0	75.0
DII	12.3	9.2	9.8
FII	5.0	4.5	3.5
Others	11.4	11.3	11.8

FII Includes depository receipts

CMP: INR15,570 TP: INR12,500 (-20%) Sell

Order book cycle turning longer

Hitachi Energy's 4QFY25 revenue came in below our estimates, whereas PAT beat our expectations on the back of better margins and higher other income. Order inflow was healthy for the quarter, while FY25 inflow was boosted by HVDC order wins. We believe Hitachi Energy will continue to be a key beneficiary of green energy initiatives across domestic and international markets. However, the execution period of the order book is turning longer due to large-sized HVDC projects where execution contribution will be lower in the initial two years and will ramp up mainly after 1.5-2 years. We increase our FY26/FY27 earnings estimates by 19%/15% to factor in higher margins. Our estimates currently bake in at least one HVDC win for the company every year and consistent improvement in margins. The stock is currently trading at 91.5x/62.2x P/E on FY26E/27E earnings. We reiterate our Sell rating on the stock with a revised two-year forward TP of INR12,500 based on DCF, as we already bake in 38% revenue CAGR and 80% PAT CAGR over FY25-27.

PAT boosted by better-than-expected other income

Hitachi Energy's 4Q revenue came in 19% below our estimates as execution remained weak during the quarter. However, with a better-than-expected EBITDA margin of 14.4% and higher other income, reported PAT came in 7% ahead of our estimates. Revenue grew 11% YoY to INR18.8b (vs. our estimate of INR23.4b), led by execution mix and improved operational efficiencies. EBITDA margin was 330bp above our expectation of 11.1%, driven largely by gross margin improvement and better absorption of employee costs. EBITDA at INR2.7b (vs. our estimate of INR2.6b) grew 49% YoY even on a high base. Higher other income and better revenue mix boosted reported PAT by 62% YoY to INR1.8b. Excluding the exceptional items, PAT came in at INR1.9b (+74% YoY), 15% above our estimate of INR1.7b. Other income spiked due to higher cash balances from QIP proceeds. The order book stood at INR192.5b. In FY25, orders jumped 228% YoY to a record INR181.7b (including HVDC orders), while revenue/EBITDA/adj. PAT stood at INR63.8b/5.96b/3.5b, up 22%/71%/111% YoY.

Shift in order mix

The company's order inflows for the quarter surged 56% YoY to INR21.9b. The company, in consortium with BHEL, has received LOI from Rajasthan Part 1 Power Transmission Limited to design and execute the high voltage direct current (HVDC) link to transmit renewable energy from Bhadla III (Rajasthan) and Fatehpur (Uttar Pradesh). Management expects the same order to be finalized in early FY26. Earlier in FY25, the company was also awarded the Khavda-Nagpur HVDC order by PGCIL. These orders have led to a shift in the company's order mix, with Products' share decreasing from 92% last year in the same quarter to 65%. Projects' share in order mix has increased from 0% to 31% in 4QFY25. On sector basis, the share of Utilities has further expanded to 80% (from 71% in 4QFY24), while Industry/Transport & Infra accounted for 9%/11% share in the order mix.

Export capabilities to accelerate growth

Exports maintained their growth momentum, contributing significantly to the total order book. Excluding HVDC orders, exports contributed to almost 37% of total order inflows in FY25, up 77% YoY. Diverse geographies and industries helped the company to sustain its export momentum. Key export orders received by the company in FY25 were:

- 45kV DTB for Google Data Center in Thailand
- 72.5kV DTB for Aboitiz Group Philippines
- 420 kV, 245kV & 72.5kV Circuit Breakers for Lawaamer, Chemaia, Morroco, Turkey
- 245 kV & 72.5 kV AIS Equipment for Eurl Hamdi project of Sonelgaz, Algeria
- 420 kV & 123 kV AIS Equipment for NAF - KM - 2024 project of MAVIR, Hungary
- GIS I&C Services - orders from Greece and Singapore

Services as a separate business unit on track

As of 1st Apr'25, the company has set up Services as a fully functional separate business unit (BU). Management emphasized that its focus will be on strengthening the segment and exploring, and tapping into potential opportunities and offerings across this BU for its customers. India has INR600b worth of installed and aging base. The company sees an annual opportunity size of INR20b, which will be catered to by combining the services expertise from various BUs under one unified service umbrella. During the quarter, Service orders accounted for ~4% of the order inflow. On the full year basis, its contribution to order book increased by 60% YoY, led by 7.4% YoY increase in Service orders.

QIP proceeds to be utilized for expansion

In Mar'25, the company raised INR24.8b by way of QIP. It intends to utilize INR15b of these proceeds as capex for capacity enhancement, factory expansion, purchase of machinery, safety improvements and infrastructure upgrades of its BUs. The proposed capex will allow the company to increase its operational efficiency, optimize costs and increase its total revenue over the years. From the balance proceeds, INR3.5b will be used to fund working capital requirements and INR6b for general corporate purposes.

Financial outlook

We increase our FY26/FY27 earnings estimates by 19%/15% to factor in higher margins. Our estimates currently bake in at least one HVDC win for the company every year and consistent improvement in margins. This should result in EBITDA margin improvement to 13.0%/14.1% in FY26/FY27.

Valuation and view

The stock is currently trading at 91.5x/62.2x P/E on FY26E/27E earnings. **We reiterate our Sell rating** with a revised two-year forward TP of INR12,500 (vs. INR10,500 earlier) based on DCF, as the current valuations factor in most of the positives related to inflow and margin improvement.

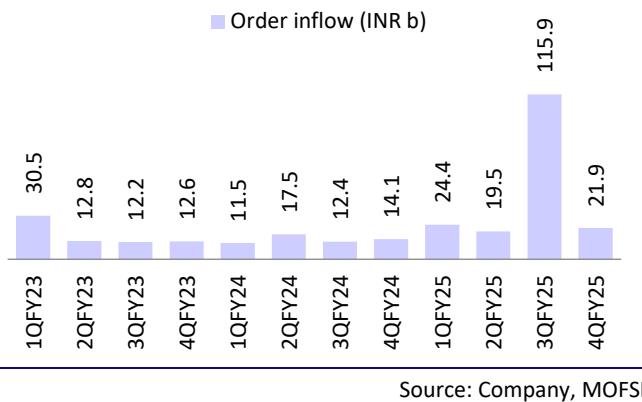
Quarterly performance (Standalone)

(INR m)

Y/E March	FY24				FY25				FY25	FY26E	FY25E	Est	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q					
Net Sales	10,401	12,280	12,742	16,953	13,272	15,537	16,203	18,837	63,849	91,047	23,377	(19)	
Change (%)	5.5	10.2	23.2	27.1	27.6	26.5	27.2	11.1	21.9	42.6	37.9		
EBITDA	337	653	680	1,820	479	1,097	1,669	2,713	5,958	11,803	2,592	5	
Change (%)	31.3	(13.7)	72.4	91.4	42.3	68.0	145.5	49.1	70.7	98.1	42.4		
As % of Sales	3.2	5.3	5.3	10.7	3.6	7.1	10.3	14.4	9.3	13.0	11.1		
Depreciation	223	225	227	225	221	228	230	235	914	1,126	299	(21)	
Interest	110	107	137	112	109	164	120	60	452	452	170	(65)	
Other Income	29	2	22	39	1	1	2	182	186	266	30	500	
PBT	34	324	338	1,522	150	706	1,322	2,600	4,778	10,490	2,153	21	
Tax	10	76	108	385	46	183	467	628	1,324	2,907	435		
Effective Tax Rate (%)	28.7	23.6	32.0	25.3	30.8	25.9	35.3	24.1	27.7	27.7	20.2		
Extra-ordinary Items								519	(134)	386			
Reported PAT	24	247	230	1,137	104	523	1,374	1,839	3,840	7,583	1,718	7	
Change (%)	79.9	(33.3)	401.5	123.7	332.4	111.4	498.1	61.8	110.9	119.5	51.2		
Adj PAT	24	247	230	1,137	104	523	855	1,973	3,454	7,583	1,718	15	
Change (%)	79.9	(33.3)	401.5	123.7	332.4	111.4	272.1	73.5	110.9	119.5	51.2		
As % of Sales	0.8	NA	3.2	0.7	2.5	0.7	1.7	0.4	0.2	0.1	0.2		

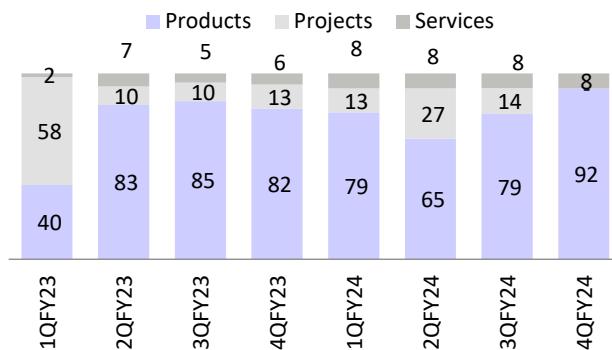
Key Exhibits

Exhibit 1: Order inflow grew by 56% YoY



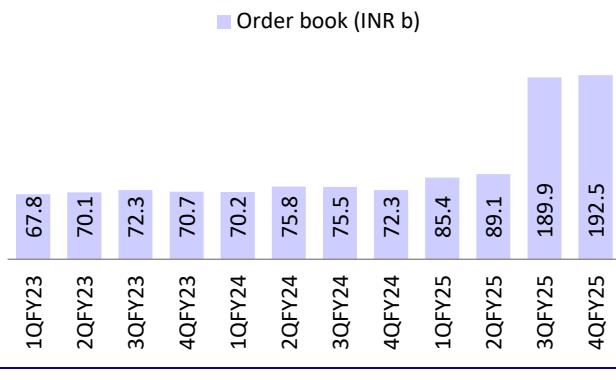
Source: Company, MOFSL

Exhibit 2: Inflows from products and services in 4QFY25 (%)



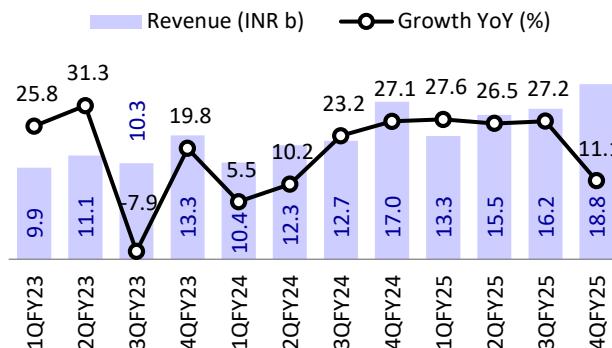
Source: Company, MOFSL

Exhibit 3: Order book jumped 166% YoY



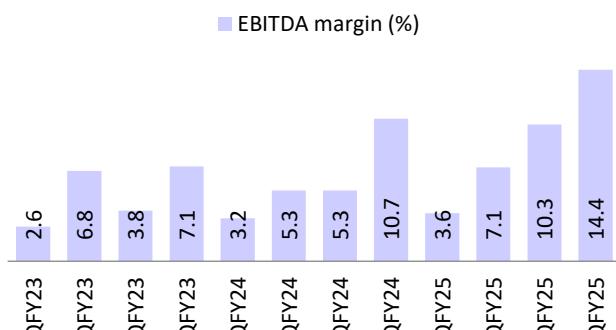
Source: Company, MOFSL

Exhibit 4: Revenue grew 11% YoY to INR18.8b in 4QFY25



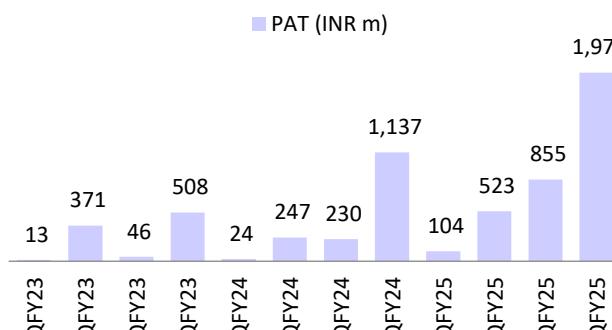
Source: Company, MOFSL

Exhibit 5: EBITDA margin up ~370bp YoY to 14.4%



Source: Company, MOFSL

Exhibit 6: PAT grew 74% to INR1.9b on a low base



Source: Company, MOFSL

Exhibit 7: Key order wins in exports and services for Hitachi Energy during 4QFY25

Exports	Services
❖ 145kV DTB for Google Data Center in Thailand	❖ 220kV Bay Extension Project for captive power plant at steel major
❖ 72.5kV DTB for Aboitiz Group Philippines	❖ Renewable study orders from leading global and local renewable energy utilities
❖ 420 kV, 245kV & 72.5kV Circuit Breakers for Lawaamer, Chemaia, Morroco, Turkey	❖ Successfully extended critical and emergency support to utilities in Mumbai, Gujarat, Goa
❖ 245 kV & 72.5 kV AIS Equipment for Eurl Hamdi project of Sonelgaz, Algeria	❖ Successfully executed the Generator Protection Retrofit at hydropower center in Himachal Pradesh
❖ 420 kV & 123 kV AIS Equipment for NAF - KM - 2024 project of MAVIR, Hungary	❖ SAS Upgrade successfully commissioned at Coastal Gujarat Power Limited, Mudra
❖ GIS I&C Services - orders from Greece & Singapore	

Source: Company, MOFSL

Exhibit 8: Hitachi Energy's total payment to group companies stood around 6.8-8.7% of sales in the last three years

Hitachi Energy	CY2019	CY2020	FY2022	FY2023	FY2024
Total payment to group companies (INR m)	2,876	3,498	4,273	3,038	3,840
Total sales (INR m)	32,361	34,204	48,840	44,685	52,375
Royalty, tech, trade mark, IT and GM fee (% of sales)	8.9	10.2	8.7	6.8	7.3

Source: Company, MOFSL

Exhibit 9: Hitachi Energy's payments to group entities over the last five years indicate that royalty, IT fees, and group management fees have increased to parent while fees to ABB have declined (INR m)

Break up of royalty and technology fee	CY2019	CY2020	FY2022	FY2023	FY2024
Hitachi Energy, Switzerland	-	644.6	1,975.6	1,462.2	1,901.5
ABB Schweiz AG, Baden, Switzerland	1,296.4	810.3			
Total	1,296.4	1,454.9	1,975.6	1,462.2	1,901.5
Break up of trade mark fee	CY2019	CY2020	FY2022	FY2023	FY2024
Holding company	352.6				
Hitachi energy ltd		432.9			
Total	352.6	432.9	-	-	-
Break up of Information technology and group management expenses	CY2019	CY2020	FY2022	FY2023	FY2024
Hitachi energy ltd	0.9	-	727.6	477.3	635.9
Hitachi energy technology services	-	216.2	517.4	431.4	569.8
Hitachi energy holdings, Zurich	-	361.1	625.9	392.6	747.2
ABB India Limited; Bangalore; India	246.2	586.7	429.8	160.3	31.0
ABB Information Systems Ltd., Zurich, Switzerland	558.2	359.9	266.2	163.1	54.3
Other fellow subsidiaries	295.4	260.4	399.0	364.1	358.5
Total	1,100.7	1,784.3	2,965.9	1,988.8	2,396.7

Source: Company, MOFSL

Exhibit 10: Hitachi Energy India's expansion done in the last three years. Company to further incur capex on expansion by using the proceeds of QIP

Timeline	Product	Functions
May, 2022	❖ Resin Impregnated Paper bushings up to 400kV voltage level	❖ Resin Impregnated Paper bushings offer an improvement over traditional oil-based alternatives by preventing moisture ingress, oil leakage and reducing risks of fire in case of failure
Aug, 2022	❖ Greenfield project in Doddaballapur for High Voltage Power Quality products such as advanced capacitor units and other products	❖ These products find application in power utilities, industries, renewables and transportation segments to improve efficiency and reduce energy waste
Aug, 2022	❖ Production of operating Mechanism of circuit breaker in Maneja, Vadodara	❖ For catering increasing demand from global and local customers for operating mechanism like FSA and BLG (industry standards of drives), which have a wide range of applications in various circuit breakers all over the world.
FY23	❖ Launched the advanced power system factory in Chennai for HVDC Light, HVDC Classic and STATCOM with MACHTM control and protection system	❖ For catering to the rising number of high-voltage transmission projects in India and export to support global HVDC installations.
Oct, 2024	❖ Announced a capex of INR20b towards large power transformers factory, traction transformers, interrupters, upgraded testing capabilities for specialty transformers, and relocation of bushings factory	❖ For catering to increasing demand for energy, develop transmission infrastructure and support modernization of the Indian railway network.

Source: Company, MOFSL

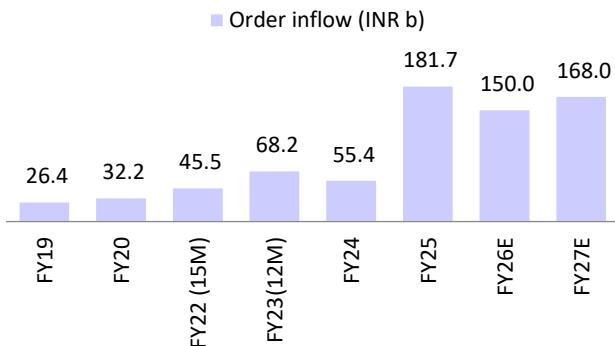
Exhibit 11: Company invested in expanding global feeder factories for catering to parent's demand for other countries

Facility	Requirements
Global feeder factory for switchgear at Vadodara	❖ Established in 2020 for supplying modules to Hitachi Energy group factories ❖ Continuously expanding - New manufacturing facilities for Operating mechanism & 550kV Dead Tank Breakers
Additional requirements from Indian factories	❖ Global market allocation for Dead Tank Breakers, PASS, Instrument Transformers & Disconnectors

Source: Company, MOFSL

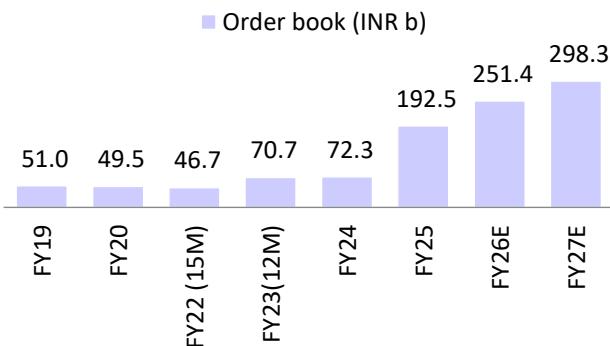
Financial outlook

Exhibit 12: We expect strong order inflows in HVDC



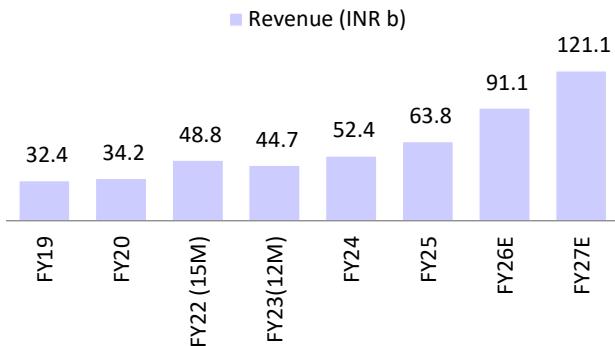
Source: Company, MOFSL

Exhibit 13: Order book to be buoyant over FY25E-27E



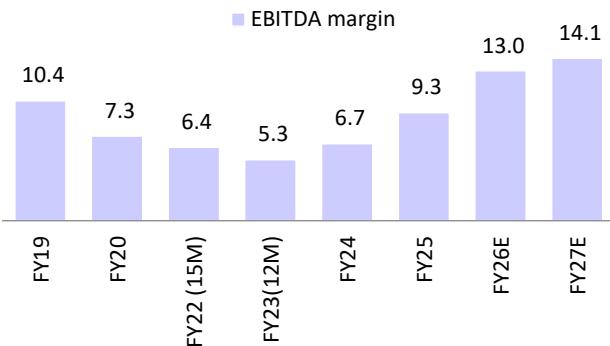
Source: Company, MOFSL

Exhibit 14: We expect 38% revenue CAGR over FY25-27E



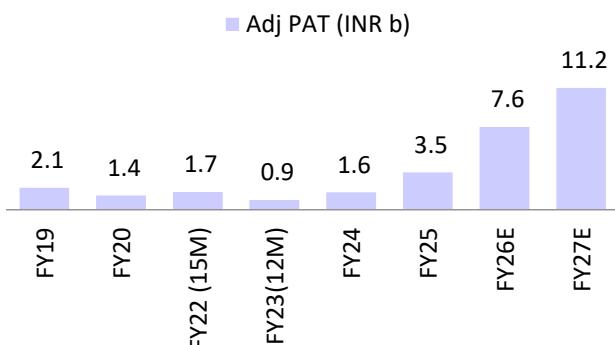
Source: Company, MOFSL

Exhibit 15: We expect double-digit EBITDA margin by FY26E



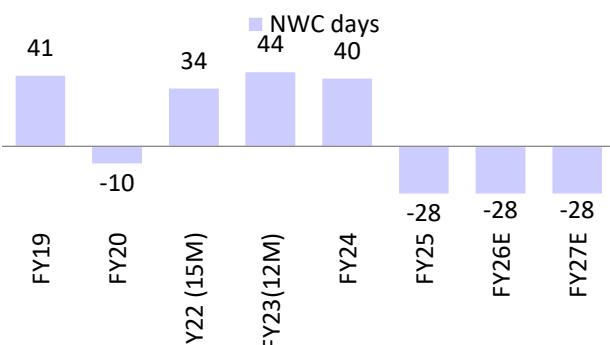
Source: Company, MOFSL

Exhibit 16: We expect a robust PAT CAGR over FY24-27E



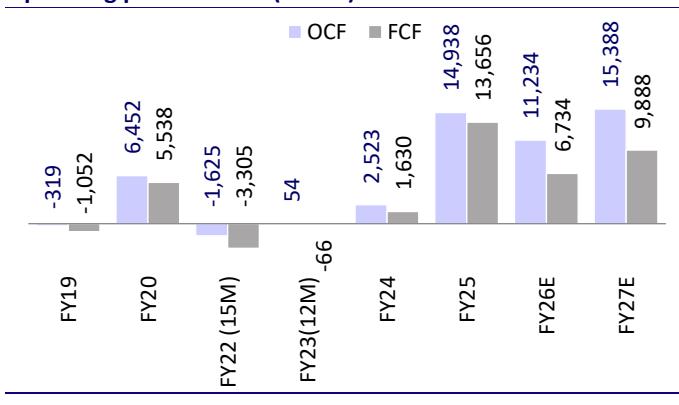
Source: Company, MOFSL

Exhibit 17: We expect NWC days to be in a stable range



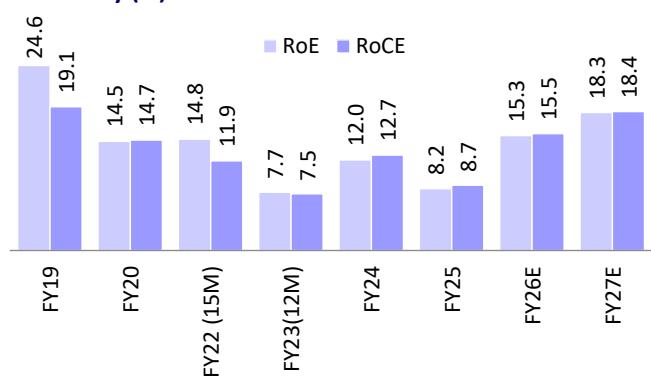
Source: Company, MOFSL

Exhibit 18: OCF & FCF to be higher led by improving operating performance (INR m)



Source: Company, MOFSL

Exhibit 19: We expect better return ratios led by improved profitability (%)



Source: Company, MOFSL

Exhibit 20: We increase our FY26/27 earnings estimates by 19%/15% to factor in higher margins

(INR M)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	91,070	91,047	0.0	1,21,076	1,21,128	(0.0)
EBITDA	11,806	10,138	16.4	17,027	14,820	14.9
EBITDA (%)	13.0	11.1	183 bps	14.1	12.2	183 bps
Adj. PAT	7,585	6,077	24.8	11,150	9,249	20.5
EPS (INR)	170.1	143.3	18.7	250.0	218.1	14.6

Source: MOFSL

Financials and valuation

Income Statement								(INR M)
Y/E March	2020(12M)	2022(15M)	2023(12M)	2024	2025	2026E	2027E	
Net Sales	34,204	48,840	44,685	52,375	63,849	91,070	1,21,076	
Change (%)	5.7	42.8	-8.5	17.2	21.9	42.6	32.9	
Raw Materials	17,606	27,712	27,110	32,191	36,955	52,254	69,471	
Gross Profit	16,599	21,128	17,576	20,184	26,895	38,816	51,605	
Subcontracting charges	2,668	2,865	1,506	1,834	2,702	3,763	4,882	
Staff Cost	3,694	4,868	4,173	4,902	5,448	6,830	9,081	
Other Expenses	7,728	10,289	9,538	9,959	12,787	16,417	20,615	
EBITDA	2,509	3,107	2,359	3,490	5,958	11,806	17,027	
% of Net Sales	7.3	6.4	5.3	6.7	9.3	13.0	14.1	
Depreciation	772	955	802	900	914	1,126	1,504	
Interest	204	414	401	466	452	452	452	
Other Income	185	669	151	93	186	266	353	
PBT	1,718	2,407	1,308	2,217	4,778	10,493	15,424	
Tax	365	732	369	579	1,324	2,908	4,274	
Rate (%)	21	30	28	26	28	28	28	
Extra-ordinary Inc.(net)	-355	359	-	-	386	-	-	
Reported PAT	998	2,034	939	1,638	3,840	7,585	11,150	
Change (%)	-39.7	103.8	-53.8	74.4	134.4	97.5	47.0	
Adjusted PAT	1,353	1,676	939	1,638	3,454	7,585	11,150	
Change (%)	-34.4	23.8	-44.0	74.4	110.9	119.6	47.0	

Balance Sheet (Standalone)								(INR M)
Y/E March	2020(12M)	2022(15M)	2023(12M)	2024	2025	2026E	2027E	
Share Capital	85	85	85	85	89	89	89	
Reserves	9,240	11,239	12,068	13,514	42,052	49,637	60,787	
Net Worth	9,325	11,324	12,153	13,599	42,141	49,726	60,876	
Loans	-	1,250	2,750	1,500	-	-	-	
Deferred Tax Liability	-219	-348	-319	-537	-861	-861	-861	
Capital Employed	9,107	12,226	14,584	14,562	41,281	48,866	60,016	
Gross Fixed Assets	8,779	9,547	10,802	11,523	12,648	17,148	22,648	
Less: Depreciation	2,568	3,355	3,998	4,898	5,811	6,937	8,441	
Net Fixed Assets	6,211	6,192	6,805	6,626	6,837	10,211	14,207	
Capital WIP	324	1,183	487	626	902	902	902	
Goodwill and intangibles	348	334	329	324	329	329	329	
Investments	-	-	-	-	-	-	-	
Curr. Assets	27,931	27,182	31,246	38,962	77,205	1,00,171	1,27,999	
Inventory	4,951	7,073	8,179	8,879	9,257	13,204	17,554	
Debtors	15,845	14,187	15,278	15,217	21,096	30,089	40,003	
Cash & Bank Balance	3,190	859	1,633	1,282	38,068	44,349	53,784	
Loans & Advances	163	54	57	69	95	136	181	
Other Current Assets	3,783	5,009	6,100	13,514	8,689	12,394	16,477	
Current Liab. & Prov.	25,706	22,665	24,282	31,975	43,992	62,747	83,421	
Creditors	15,780	16,190	15,146	18,097	20,419	29,124	38,720	
Other Liabilities	8,044	4,732	7,184	11,659	20,996	29,947	39,814	
Provisions	1,882	1,743	1,952	2,219	2,577	3,676	4,887	
Net Current Assets	2,225	4,517	6,964	6,987	33,213	37,424	44,578	
Application of Funds	9,107	12,226	14,584	14,562	41,281	48,866	60,016	

Financials and valuation

Ratios

Y/E March	2020(12M)	2022(15M)	2023(12M)	2024	2025	2026E	2027E
Basic (INR)	23.5	48.0	22.1	38.6	90.6	178.9	263.0
Adjusted EPS	31.9	39.5	22.1	38.6	77.5	170.1	250.0
Growth (%)	-34.4	23.8	-44.0	74.4	100.5	119.6	47.0
Cash EPS	50.1	62.0	41.1	59.9	103.0	205.5	298.4
Book Value	219.9	267.1	286.6	320.7	993.9	1,172.8	1,435.8
DPS	-	2.0	3.0	3.4	3.8	-	-
Payout (incl. Div. Tax.)	-	5.0	13.5	8.8	4.9	-	-
Valuation (x)							
P/Sales	19.3	13.5	14.8	12.6	10.9	7.6	5.7
P/E (standalone)	487.5	393.7	702.5	402.8	200.9	91.5	62.2
Cash P/E	310.5	250.8	379.0	259.9	151.0	75.7	52.1
EV/EBITDA	261.6	212.5	280.1	189.1	110.1	55.0	37.6
EV/Sales	19.2	13.5	14.8	12.6	10.3	7.1	5.3
Price/Book Value	70.7	58.3	54.3	48.5	15.7	13.3	10.8
Dividend Yield (%)	-	0.0	0.0	0.0	0.0	-	-
Profitability Ratios (%)							
RoE	14.5	14.8	7.7	12.0	8.2	15.3	18.3
RoCE	16.6	16.1	8.4	13.6	9.2	16.2	19.1
RoIC	23.1	13.2	8.6	14.4	113.5	170.9	180.1
Turnover Ratios							
Debtors (Days)	169	106	125	106	121	121	121
Inventory (Days)	53	53	67	62	53	53	53
Creditors. (Days)	168	121	124	126	117	117	117
Asset Turnover (x)	3.8	4.0	3.1	3.6	1.5	1.9	2.0
Leverage Ratio							
Net Debt/Equity (x)	-0.3	0.0	0.1	0.0	-0.9	-0.9	-0.9

Cash Flow Statement

(INR M)

Y/E March	2020(12M)	2022(15M)	2023(12M)	2024	2025	2026E	2027E
PBT before EO Items	1,718	2,407	1,308	2,217	5,164	10,493	15,424
Add : Depreciation	772	955	802	900	914	1,126	1,504
Interest	189	405	395	466	452	452	452
Less : Direct Taxes Paid	454	928	666	507	1,569	2,908	4,274
(Inc)/Dec in WC	-3,787	4,447	1,817	493	-10,040	-2,070	-2,281
Others	440	-17	32	-59	-64	-	-
CF from Operations	6,452	-1,625	54	2,523	14,938	11,234	15,388
(Inc)/Dec in FA	-906	-1,675	-120	-889	-1,273	-4,500	-5,500
Free Cash Flow	5,547	-3,300	-66	1,634	13,665	6,734	9,888
(Pur)/Sale of Investments	-	-	-	-	-	-	-
Others	16	5	2	2	173	-	-
CF from Investments	-890	-1,670	-118	-887	-1,100	-4,500	-5,500
(Inc)/Dec in Net Worth	-	-	-	-	25,208	-	-
(Inc)/Dec in Debt	-3,572	1,104	1,364	-1,250	-1,500	-	-
Less : Interest Paid	327	414	401	409	401	452	452
Dividend Paid	-	84	127	144	169	-	-
Others	-355	358	2	-185	-191	-	-
CF from Fin. Activity	-4,253	964	839	-1,987	22,947	-452	-452
Inc/Dec of Cash	1,309	-2,331	775	-351	36,785	6,281	9,436
Add: Beginning Balance	1,880	3,189	858	1,633	1,282	38,067	44,348
Closing Balance	3,189	858	1,633	1,282	38,067	44,348	53,784

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