

16 May 2025

India | Equity Research | Results Update

Hitachi Energy India

Capital Goods

Margins in double digits; ramping up capex

Hitachi reported operating margin of 12.7% (+190bps), ahead of consensus expectations in Q4FY25. The margin was 7% in FY24. It has also guided for double-digit margins in FY26, allaying the street concerns. Revenue grew 11% YoY to INR 18bn; EBITDA came in at INR 2.4bn and profit stood at INR 1.8bn in Q4, a sharp beat to consensus estimates of INR 2.2/1.5bn. It has won 2 HVDC orders worth INR 200bn (our estimates). While it had booked the first order in FY25, the other order will be booked in Q1FY26. It gained orders worth INR 86bn (ex-HVDC OB, our estimate, +56% YoY) in FY25. As a result, we estimate orderbook at INR 290-300bn or 4x book to bill ratio for FY26. We expect earnings to grow at 52% CAGR over FY25-28E. Maintain **BUY** with a revised TP of INR 18,000 (earlier INR 16,617).

A strong show; ahead of consensus

Hitachi posted strong set of Q4FY25 result, with revenue rising 11% YoY to INR 18bn and EBITDA growing 31% YoY, supported by 190bps expansion in margin to 12.6%, due to improved product mix and efficient execution. PAT came in at INR 1.8bn (+62% YoY).

Orderbook stands at an all-time high

The company secured fresh orders worth INR 22bn during Q4, up 55% YoY, taking the total OB to an all-time high of INR 192bn (2.6x FY24). The order inflow was led by robust traction in transmission and renewables segments, followed by railways. Notably, a major HVDC order booked in Q3 boosted the OB, with another HVDC project likely to be booked in Q1FY26.

Highest capex layout in the industry

Hitachi has raised INR 25bn through QIP in FY25. It is looking to do capex of INR 20bn – INR 7.5bn in FY26 and INR 7.5bn in FY27. We note peers have also announced capital expenditure over the next two years. However, Hitachi's capex layout is highest at INR 20bn while GE Vernova T&D is spending INR 1.4bn (in HVDC related capex), Siemens India and CG Power are spending <INR 4bn and INR 15bn, respectively. Also, Hitachi's capex is 5x of that incurred between FY20-FY25.

Maintain BUY with revised TP of INR 18,000 (INR 16,617 earlier)

Maintain BUY with revised TP of INR 18,000 based on 65x FY27E earnings.

Financial Summary

Y/E Mar-31 (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	63,849	90,827	1,38,657	1,50,170
EBITDA	5,625	10,422	17,849	19,427
EBITDA Margin (%)	8.8	11.5	12.9	12.9
Net Profit	3,840	7,157	12,351	13,580
EPS (INR)	86.1	160.5	276.9	304.5
EPS % Chg YoY	122.9	86.4	72.6	10.0
P/E (x)	180.8	97.0	56.2	51.1
EV/EBITDA (x)	116.7	62.7	36.1	32.8
RoCE (%)	14.6	17.1	24.1	21.5
RoE (%)	13.8	15.7	22.3	19.8

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Market Data

Market Cap (INR)	694bn
Market Cap (USD)	8,119mn
Bloomberg Code	POWERIND IN
Reuters Code	HITN.BO
52-week Range (INR)	16,981 / 8,738
Free Float (%)	25.0
ADTV-3M (mn) (USD)	17.9

Price Performance (%)	3m	6m	12m
Absolute	37.9	32.1	44.9
Relative to Sensex	29.2	25.8	31.8

ESG Score	2023	2024	Change
ESG score	70.7	70.1	(0.6)
Environment	52.0	52.9	0.9
Social	73.4	72.0	(1.4)
Governance	82.3	84.5	2.2

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

17-04-2025: [Initiating Coverage](#)

Valuation and outlook

India is upgrading its grid to prime for evacuation of ~900GW (vs 400GW now). The nation is also targeting 43% of electricity consumption by renewables by 2030 (vs 23% now). As a result, transmission capex is set to pick up after FY20–24's subdued investment cycle. We estimate INR 3.4trn of capex on inter-state transmission over the next 4–5 years. Out of which, the need for HV equipment is on the rise. With rising complexity of the grid due to a potential influx of renewables, unique challenges in stability shall emerge. To ensure a stable grid, we see the need for specialised equipment like statcoms, reactors etc. With Hitachi Energy being at the fore-front of this transition, we believe the company could see maximum benefit in India's pursuit of grid strengthening.

Railway electrification is another big opportunity. Indian Railways is looking to electrify and upgrade its network to increase the speed of trains. Hitachi Energy, with its Scott transformers, trackside and traction transformers, appears ready to tap into this opportunity.

We maintain **BUY** on Hitachi Energy with revised TP of INR 18,000 (from 16,617).

The revision in target price factors in improved margins ahead of the consensus along with guidance for double digit margins in FY26, allaying the street concerns.

Given the OB, we expect the company to have strong execution over the next 3 years; we estimate the company's profit to grow at 96% CAGR over FY24-27E, significantly higher than peers.

Risks: 1) Delay in awarding of HVDC transmission projects; 2) slowdown in industrial capex.

Exhibit 1: Maintain BUY with revised TP of INR 18,000

	Earnings	P/E Multiple (x)	Valuation
FY27E PAT	12,351		8,02,785
No. of shares (mn)	45	65	45
Per share (INR)	277		18,000

Source: I-Sec research, Company data

Q4FY25 conference call highlights

Order inflow and backlog

- The company achieved 56% YoY order growth amounting to INR 22bn in Q4.
- The orders received in the quarter were led by energy transition and industry's cyclical nature.
- The company's order backlog stood at INR 192bn at the end of 31 Mar'25, providing revenue visibility for several quarters going forward.
- For FY25, orders reached a record INR 181bn, up 228%. Transmission segment saw 91% growth surge, while renewables saw YoY growth of 386% and railways and metro segment were up 24% YoY.
- The data centre and industry saw YoY decline of 56% and 33%, respectively, but this is likely to be a seasonal decline. The company expects significant demand from data centre and industry segments in coming quarters
- Exports contributed almost 37% of total orders, excluding HVDC. Services contributed around 7.4% of total orders.
- One HVDC project was booked during FY25; one more HVDC project will be booked in Q1FY26.

Margins

- The company's EBITDA margin improved by 250bps YoY.
- The company's focus is on strengthening the segment and exploring opportunities to improve margins, with a goal to leverage the largest-ever backlog for revenue and margin accretion.
- The company remains committed to adding more vigour to improve overall operational efficiency and boost productivity and quality, which is expected to improve margins.
- The company expects to maintain double-digit EBITDA margin for FY26.
- Personnel expenses decreased from 9.6% to 8.5% vs last year.

Exhibit 2: Quarterly financial highlights (INR mn)

Income Statement (INR mn)	Q3FY25	Q4FY24	Q4FY25	YoY (%)	QoQ (%)	FY24	FY25	YoY (%)
Net sales	16,203	16,953	18,837	11%	116	52,375	63,849	22%
EBITDA	1,669	1,820	2,380	31%	143	3,490	5,625	61%
OPM (%)	10.3	10.7	12.6	190 bps	233 bps	6.7	8.8	597 bps
Other inc.	521	39	382	874%	NA	93	905	874%
Interest	120	112	60	-47%	50	466	452	-3%
Dep. & Amort.	230	225	235	4%	102	900	914	1%
PBT	1,841	1,522	2,467	62%	134	2,217	5,164	133%
PAT	1,374	1,137	1,839	62%	134	1,638	3,840	134%
Reported PAT	1,374	1,137	1,839	62%	134	1,638	3,840	134%
EPS (INR)	32.4	26.8	43.4	62%	134	38.6	172.2	346%
Order Inflow	1,15,943	14,070	21,908	56%	19	55,365	1,81,738	228%
Order Backlog	1,89,944	72,295	1,92,459	166%	101	72,295	1,92,459	166%

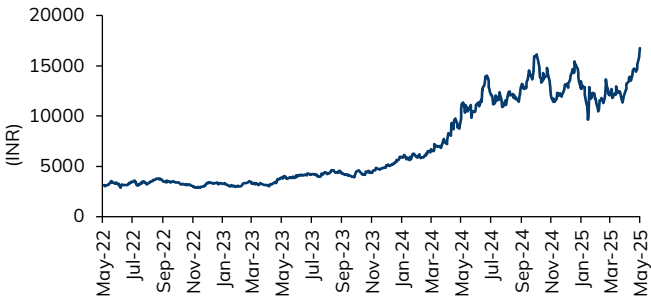
Source: I-Sec research, Company data

Exhibit 3: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	75.0	75.0	71.3
Institutional investors	14.1	13.7	17.3
MFs and others	6.7	6.7	8.4
FIs/Banks	0.0	0.0	0.8
Insurance	2.0	2.1	2.4
FIIIs	5.4	4.9	5.7
Others	10.9	11.3	11.4

Source: Bloomberg, I-Sec research

Exhibit 4: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 5: Profit & Loss

(INR mn, year ending Mar-31)

	FY25A	FY26E	FY27E	FY28E
Net Sales	63,849	90,827	1,38,657	1,50,170
Operating Expenses	18,567	23,638	33,551	36,317
EBITDA	5,625	10,422	17,849	19,427
EBITDA Margin (%)	8.8	11.5	12.9	12.9
Depreciation & Amortization	914	977	1,095	1,182
EBIT	4,712	9,444	16,755	18,244
Interest expenditure	452	863	1,373	1,502
Other Non-operating Income	905	1,090	1,308	1,609
Recurring PBT	5,164	9,672	16,690	18,352
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	1,324	2,515	4,339	4,771
PAT	3,840	7,157	12,351	13,580
Less: Minority Interest	-	-	-	-
Extraordinary (Net)	-	-	-	-
Net Income (Reported)	3,840	7,157	12,351	13,580
Net Income (Adjusted)	3,840	7,157	12,351	13,580

Source Company data, I-Sec research

Exhibit 6: Balance sheet

(INR mn, year ending Mar-31)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	75,812	95,654	1,34,449	1,50,573
of which cash & cash eqv.	38,068	41,217	50,205	58,100
Total Current Liabilities & Provisions	42,960	60,367	91,019	97,342
Net Current Assets	32,852	35,288	43,430	53,230
Investments	-	-	-	-
Net Fixed Assets	5,936	8,715	12,910	16,676
ROU Assets	901	901	901	901
Capital Work-in-Progress	902	2,800	2,800	2,800
Total Intangible Assets	329	388	424	463
Other assets	1,395	1,414	1,436	1,455
Deferred Tax Assets	-	-	-	-
Total Assets	42,309	49,506	61,899	75,523
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	(638)	(638)	(638)	(638)
provisions	-	-	-	-
other Liabilities	806	846	888	933
Equity Share Capital	89	89	89	89
Reserves & Surplus	42,052	49,209	61,559	75,140
Total Net Worth	42,141	49,298	61,649	75,229
Minority Interest	-	-	-	-
Total Liabilities	42,309	49,506	61,899	75,523

Source Company data, I-Sec research

Exhibit 7: Cashflow statement

(INR mn, year ending Mar-31)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	15,016	8,621	14,356	12,750
Working Capital Changes	11,083	713	846	(1,905)
Capital Commitments	(1,406)	(5,714)	(5,325)	(4,987)
Free Cashflow	16,422	14,335	19,681	17,736
Other investing cashflow	183	1,070	1,288	1,589
Cashflow from Investing Activities	(1,223)	(4,644)	(4,037)	(3,398)
Issue of Share Capital	24,700	-	-	-
Interest Cost	(454)	(863)	(1,373)	(1,502)
Inc (Dec) in Borrowings	(1,258)	40	42	44
Dividend paid	-	-	-	-
Others	-	-	-	-
Cash flow from Financing Activities	22,988	(823)	(1,330)	(1,457)
Chg. in Cash & Bank balance	36,781	3,154	8,989	7,895
Closing cash & balance	38,063	41,217	50,205	58,100

Source Company data, I-Sec research

Exhibit 8: Key ratios

(Year ending Mar-31)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	86.1	160.5	276.9	304.5
Adjusted EPS (Diluted)	86.1	160.5	276.9	304.5
Cash EPS	106.6	182.4	301.5	331.0
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	944.9	1,105.3	1,382.3	1,686.7
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	21.9	42.3	52.7	8.3
EBITDA	61.2	85.3	71.3	8.8
EPS (INR)	122.9	86.4	72.6	10.0
Valuation Ratios (x)				
P/E	180.8	97.0	56.2	51.1
P/CEPS	146.1	85.4	51.6	47.0
P/BV	16.5	14.1	11.3	9.2
EV / EBITDA	116.7	62.7	36.1	32.8
P / Sales	10.9	7.6	5.0	4.6
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	37.9	37.5	37.1	37.1
EBITDA Margins (%)	8.8	11.5	12.9	12.9
Effective Tax Rate (%)	25.6	26.0	26.0	26.0
Net Profit Margins (%)	6.0	7.9	8.9	9.0
NWC / Total Assets (%)	0.8	0.7	0.7	-
Net Debt / Equity (x)	(0.9)	(0.8)	(0.8)	(0.8)
Net Debt / EBITDA (x)	(6.8)	(4.0)	(2.8)	(3.0)
Profitability Ratios				
RoCE (%)	14.6	17.1	24.1	21.5
RoE (%)	13.8	15.7	22.3	19.8
RoIC (%)	14.6	17.1	24.1	21.5
Fixed Asset Turnover (x)	10.8	10.4	10.7	10.2
Inventory Turnover Days	58	61	62	52
Receivables Days	133	146	155	138
Payables Days	128	134	134	112

Source Company data, I-Sec research

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