

Hitachi Energy

Estimate changes



TP change



Rating change



CMP: INR20,863

TP: INR18,000 (-14%)

Sell

Strong margins result in sharp PAT beat

Hitachi Energy's 2QFY26 results beat our estimates on the back of a sharp recovery in EBITDA margins and higher other income. Order inflow was healthy for the quarter, and the bid pipeline also remains strong for the company. Over the last few quarters, we note that the company's order book cycle is turning longer but margin improvement is now visible. The company's capacity expansion too will help meet the upcoming demand across segments. We increase our estimates by 12%/5% for FY27/28 to bake in increased margin, capex and other income and roll forward our TP to INR18,000. The stock is currently trading at 103x/78x/62x P/E on FY26E/27E/28E earnings. We reiterate our Sell rating on the stock on account of pricey valuations. Our estimates bake in 29% revenue CAGR and 63% PAT CAGR over FY25-28 and an implied target multiple of 60x on two-year forward earnings.

PAT boosted by better-than-expected EBITDA margin and other income

2Q revenue was 12% lower than our estimate as execution remained weaker than our expectations. However, with a better-than-expected EBITDA margin of 16.3%, higher other income, and a lower tax rate, reported PAT came in 42% ahead of our estimate. Revenue grew 18% YoY to INR18.3b (12% below our estimate). EBITDA at INR3.0b (vs. our estimate of INR2.5b) grew 172% YoY. EBITDA margin at 16.3% was 430bp above our expectation of 12%, driven by lower-than-expected operating expenses. PAT increased 406% YoY to INR2.6b, 42% above our estimate. Order inflows grew 14% YoY to INR22.2b, taking the order book to INR294b. Growth in inflows was led by the large orders for GIS and AIS stations, and locomotive transformers. Among segments, industries and renewables were the key contributors to the order book, followed by transmission and transport. For 1HFY26, revenue/EBITDA/PAT growth stood at 15%/188%/531% YoY. OCF came in at INR8.7b vs. an outflow of INR0.8b in 1HFY25. FCF stood at INR807m in 1HFY26 vs. an outflow of INR118.1m in 1HFY25.

Prospect pipeline building up well for the sector

HVDC continues to be a major growth engine for Hitachi Energy across both domestic and international markets. Of the total order book of INR294b, ~INR100b comes from base orders, with the rest linked to HVDC projects. The domestic pipeline remains strong, with one HVDC project tariff-based bidding already completed and another 6GW LCC project expected to be tendered out soon. Management expects two to three HVDC projects to come up for bidding each year over the next few years in India. The company also expects to benefit from demand in India's DC market, where Hitachi Energy's addressable opportunity stands at ~15-20%. With India's rapid renewable expansion, rising industrial and transmission investments, and ongoing metro and rail modernization, the company's focus on capacity expansion, services, digital solutions, and new areas like energy storage places it on a future-ready growth path.

Bloomberg	POWERIND IN
Equity Shares (m)	45
M.Cap.(INRb)/(USDb)	929.9 / 10.5
52-Week Range (INR)	21800 / 8738
1, 6, 12 Rel. Per (%)	17/38/40
12M Avg Val (INR M)	2128

Financials Snapshot (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Net Sales	80.5	109.4	138.5
EBITDA	11.6	16.4	20.8
PAT	9.1	11.9	14.9
EPS (INR)	203.2	266.4	334.5
GR. (%)	162.4	31.1	25.5
BV/Sh (INR)	1,203.4	1,479.4	1,826.8

Ratios

ROE (%)	17.8	18.9	19.3
RoCE (%)	18.3	19.4	19.6

Valuations

P/E (X)	102.7	78.4	62.4
P/BV (X)	17.3	14.1	11.4
EV/EBITDA (X)	76.7	54.1	42.2
Div Yield (%)	0.0	0.0	0.0

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	71.3	71.3	75.0
DII	7.9	10.3	9.0
FII	9.7	7.2	5.1
Others	11.1	11.2	10.9

FII Includes depository receipts

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Exports continue to be one of the key growth levers

Exports continued to play a meaningful role in Hitachi Energy's inflows in 2Q, contributing nearly 30% (excluding HVDC). Inflows in 2Q increased 59% YoY, driven by a well-diversified customer base across utilities, renewables, data centers, and industrial segments spread over multiple geographies. The export order book remains healthy and continues to benefit from Hitachi Energy's global supply network and localization initiatives.

Key export orders received by the company in 2QFY26 are:

- 114 Nos IMB 800kV CTs to Canadian utilities
- 12 Nos 800 kV Breakers to Ukrainian utilities
- 17 Nos. 245kV PASS and 8 Nos. 145kV PASS to Thailand
- 132 KV AIS package to Babek, Azerbaijan
- Power Quality Products to Transco in Dubai

Margin resilience to sustain going forward

Hitachi Energy delivered a strong margin of 16.3% during the quarter. This was mainly led by 1) operating leverage, as higher execution volumes helped spread fixed costs more efficiently, 2) an improved product mix, with a larger share of high-margin products contributing to revenue, 3) increasing share of exports in the total order book, which are usually short-cycle orders with high margins, 4) increasing share of service orders, with current levels at high single-digits, and 5) lower royalty cost during the quarter due to the timing effect of revenue recognition. We expect the increasing share of exports and services and a better product mix to support the company's target of sustaining double-digit margins over the long term. We have factored in margin of 14.5%/15%/15% for FY26/27/28E in our estimates.

Financial outlook

For FY27/FY28, we raise our estimates by 12%/5% to factor in higher margins and slightly lower revenue to bake in the longer-gestation order book. We thus expect revenue/EBITDA/PAT CAGR of 29%/52%/63% over FY25-28E. Our estimates currently bake in nearly one HVDC win for the company every year and consistent expansion in margins. This results in EBITDA margin expansion to 14.5%/15%/15% for FY26/27/28.

Valuation and view

The stock is currently trading at 102.7x/78.4x/62.4x P/E on FY26E/27E/28E earnings. **We reiterate our Sell rating** with a revised TP of INR18,000 (vs. INR16,500 earlier) based on 60x two-year forward earnings.

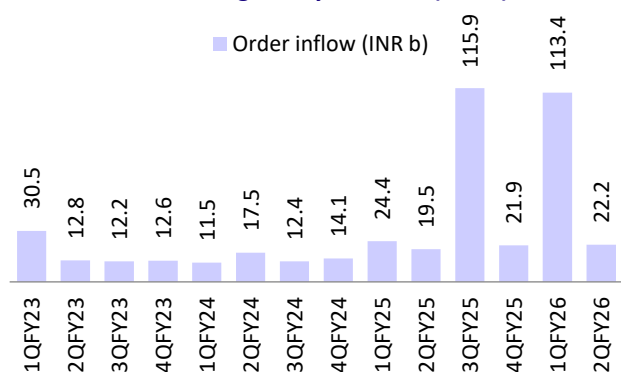
Quarterly performance (Standalone)

(INR m)

	FY25				FY26E				FY25	FY26E	FY26E	Est
Y/E March	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	Var (%)
Net Sales	13,272	15,537	16,203	18,837	14,789	18,326	20,419	26,930	63,849	80,463	20,931	(12)
Change (%)	27.6	26.5	27.2	11.1	11.4	17.9	26.0	43.0	21.9	26.0	34.7	
EBITDA	479	1,097	1,669	2,713	1,549	2,990	3,063	4,036	5,958	11,638	2,512	19
Change (%)	42.3	68.0	145.5	49.1	223.4	172.5	83.5	48.8	70.7	95.3	128.9	
As % of Sales	3.6	7.1	10.3	14.4	10.5	16.3	15.0	15.0	9.3	14.5	12.0	
Depreciation	221	228	230	235	250	258	331	483	914	1,322	282	(8)
Interest	109	164	120	60	40	29	39	45	452	152	113	(75)
Other Income	1	1	2	182	509	826	600	439	186	2,374	450	84
PBT	150	706	1,322	2,600	1,769	3,529	3,293	3,946	4,778	12,537	2,567	37
Tax	46	183	467	628	453	886	912	1,224	1,324	3,474	711	
Effective Tax Rate (%)	30.8	25.9	35.3	24.1	25.6	25.1	27.7	31.0	27.7	27.7	27.7	
Extra-ordinary Items			519	(134)					386			
Reported PAT	104	523	1,374	1,839	1,316	2,644	2,381	2,722	3,840	9,063	1,856	42
Change (%)	332.4	111.4	498.1	61.8	1,163.0	405.6	73.3	48.0	110.9	162.4	254.9	
Adj PAT	104	523	855	1,973	1,316	2,644	2,381	2,722	3,454	9,063	1,856	42
Change (%)	332.4	111.4	272.1	73.5	1,163.0	405.6	178.6	38.0	110.9	162.4	254.9	
As % of Sales	2.5	0.7	1.7	0.4	7.9	2.2	0.9	0.1	0.2	0.2	1.2	

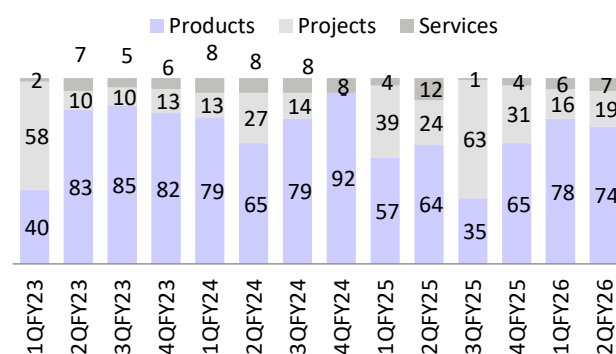
Key Exhibits

Exhibit 1: Order inflow grew by 14% YoY (INR b)



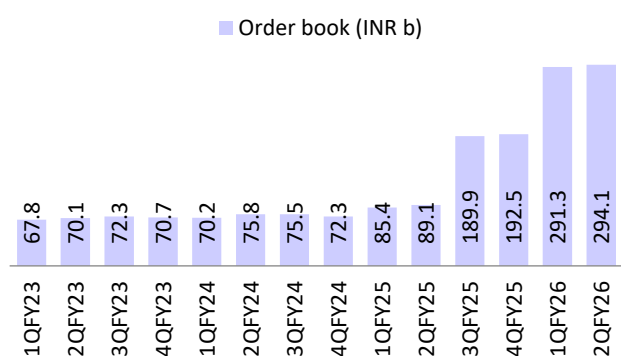
Source: Company, MOFSL

Exhibit 2: Products contributed to inflow growth (%)



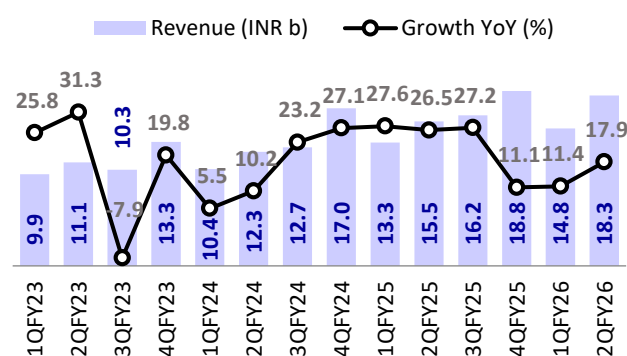
Source: Company, MOFSL

Exhibit 3: Order book jumped 230% YoY (INR m)



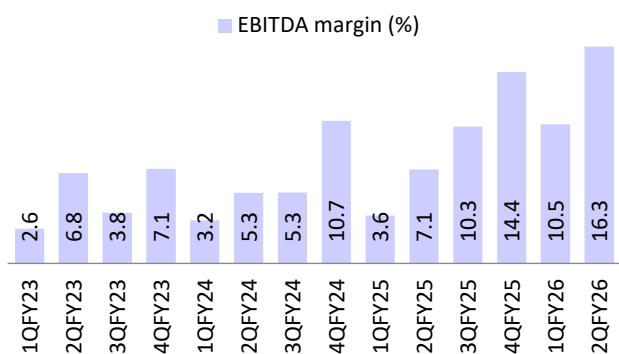
Source: Company, MOFSL

Exhibit 4: Revenue grew 18% YoY to INR18.3b in 2QFY26



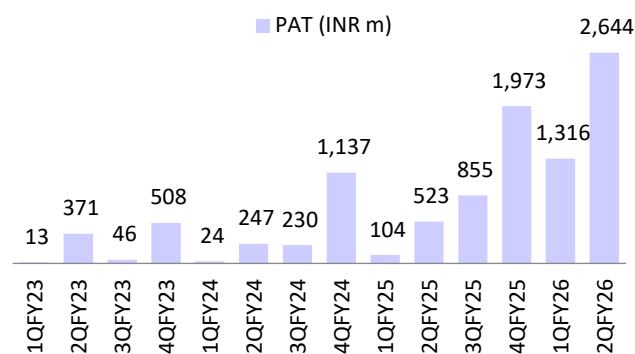
Source: Company, MOFSL

Exhibit 5: EBITDA margin up ~920bp YoY to 16.3%



Source: Company, MOFSL

Exhibit 6: PAT grew 406% YoY to INR2.6b on a low base



Source: Company, MOFSL

Exhibit 7: Key order wins in exports and services for Hitachi Energy during 2QFY26

Exports	Services
❖ 114 Nos IMB 800kV CTs to Canadian utilities	❖ First high voltage SF6-free circuit breaker – ECONIQ – to CTU
❖ 12 Nos 800 kV Breakers to Ukrainian utilities	❖ 400kV AIS extn for Mahendragarh substation
❖ 17 Nos. 245kV PASS and 8 Nos. 145kV PASS to Thailand	❖ Supply of Air core Reactor to CTU's HVDC
❖ 132 KV AIS package to Babek, Azerbaijan	❖ 132kV GIS Bay Addition for utility in Bihar
❖ Power Quality Products to Transco in Dubai	❖ ETC Order for GIS from Gujarat-based power generator
	❖ Transformer repair order from EPC power project
	❖ 220kV Busbar Retrofitting for thermal power station in Kheda, Gujarat

Source: Company, MOFSL

Exhibit 8: Hitachi Energy's total payment to group companies stood around 6.8-7.8% of sales in the last three years (INR m)

Hitachi Energy	CY2019	CY2020	FY2022	FY2023	FY2024	FY2025
Total payment to group companies (INR m)	2,876	3,498	4,273	3,038	3,840	5,000
Total sales (INR m)	32,361	34,204	48,840	44,685	52,375	63,849
Royalty, tech, trade mark, IT and GM fee (% of sales)	8.9	10.2	8.7	6.8	7.3	7.8

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 (INR m)

Break up of royalty and technology fee	CY2019	CY2020	FY2022	FY2023	FY2024	FY2025
Hitachi Energy, Switzerland	-	644.6	1,975.6	1,462.2	1,901.5	2,544.9
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	2,544.9
Break up of trade mark fee	CY2019	CY2020	FY2022	FY2023	FY2024	FY2025
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	FY2025
Hitachi energy ltd	0.9	-	727.6	477.3	635.9	856.3
Hitachi energy technology services	-	216.2	517.4	431.4	569.8	815.7
Hitachi energy holdings, Zurich	-	361.1	625.9	392.6	747.2	1,188.0
ABB India Limited; Bangalore; India	246.2	586.7	429.8	160.3	31.0	NA
ABB Information Systems Ltd., Zurich, Switzerland	558.2	359.9	266.2	163.1	54.3	NA
Other fellow subsidiaries	295.4	260.4	399.0	364.1	358.5	299.9
Total	1,100.7	1,784.3	2,965.9	1,988.8	2,396.7	3,159.9

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	❖ To cater to increasing demand from global and local customers for operating mechanisms 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	❖ To cater 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	❖ To cater to the increasing demand for energy, develop transmission infrastructure and support modernization of the Indian railway network.
FY26	~INR7.6b	❖ Towards capacity enhancement, factory expansion, purchase of machinery, safety improvements and infrastructure upgrades of its Business Units, namely (i) Grid automation, (ii) Grid integration, (iii) High voltage products; and (iv) Transformers
FY27	~INR7.2b	
FY28	~INR2.7b	
FY29	~INR2.6b	

Source: Company, MOFSL

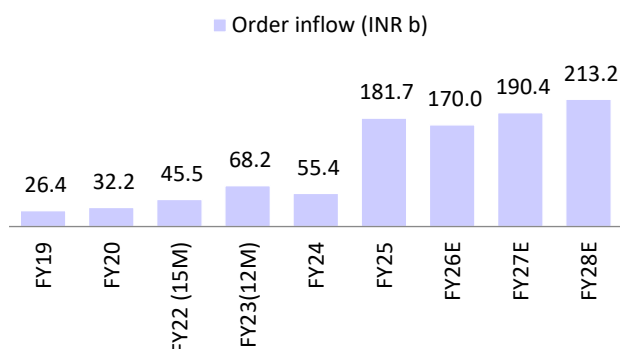
Exhibit 11: The company also invested in expanding global feeder factories to cater to the parent's demand in other countries

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

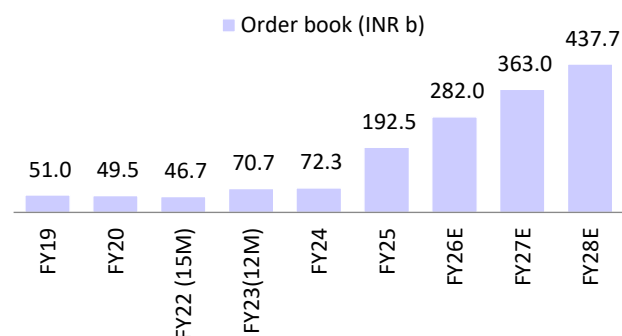
Financial outlook

Exhibit 12: We expect strong order inflows in HVDC



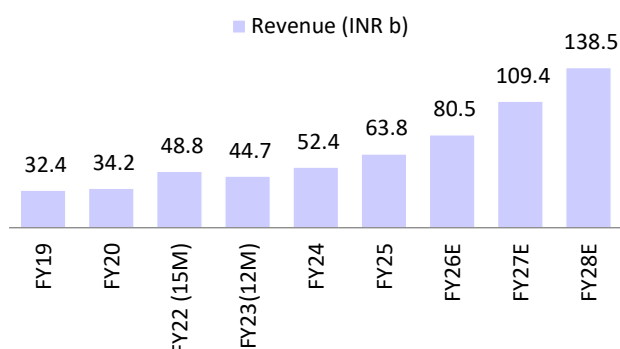
Source: Company, MOFSL

Exhibit 13: Order book to be buoyant over FY26E-28E



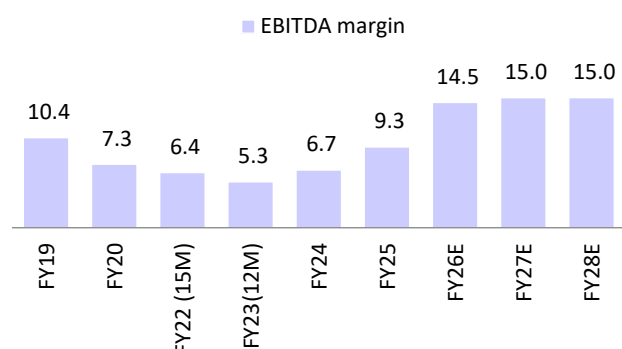
Source: Company, MOFSL

Exhibit 14: We expect 29% revenue CAGR over FY25-28



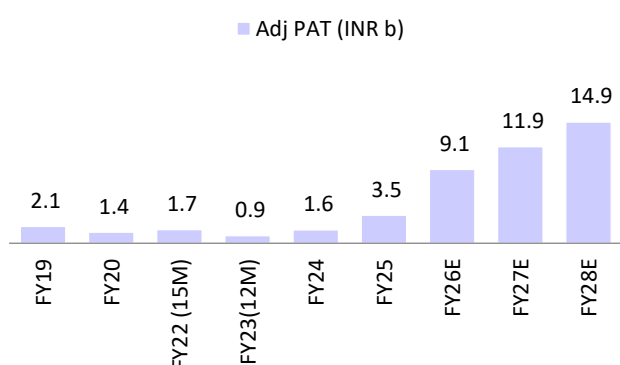
Source: Company, MOFSL

Exhibit 15: We expect double-digit EBITDA margin by FY26



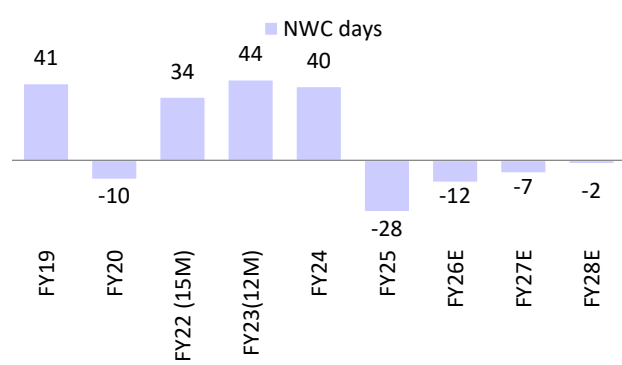
Source: Company, MOFSL

Exhibit 16: We expect 63% PAT CAGR over FY25-28



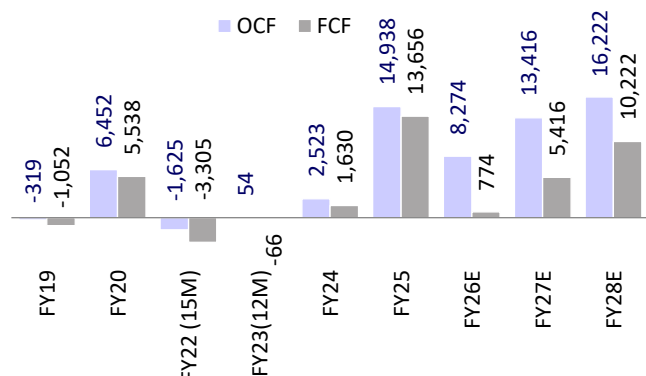
Source: Company, MOFSL

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



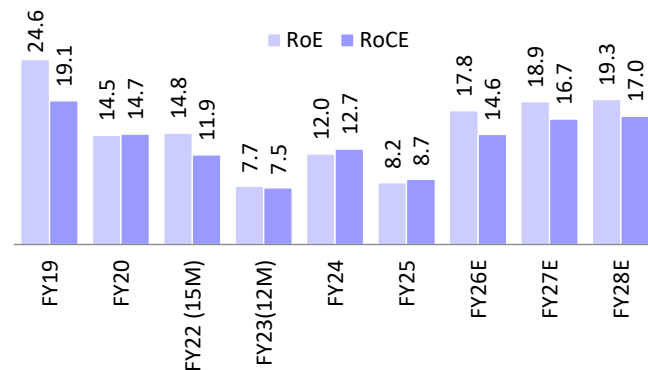
Source: Company, MOFSL

Exhibit 18: OCF & FCF to be higher, led by an 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 FY27/28 estimates by 12%/5% to factor in higher margins

(INR M)	FY26E			FY27E			FY28E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	80,463	86,012	(6.5)	1,09,387	1,15,210	(5.1)	1,38,542	1,42,061	(2.5)
EBITDA	11,638	11,150	4.4	16,403	16,203	1.2	20,775	21,541	(3.6)
EBITDA (%)	14.5	13.0	150 bps	15.0	14.1	93 bps	15.0	15.2	-17 bps
Adj. PAT	9,063	7,914	14.5	11,883	10,632	11.8	14,917	14,268	4.5
EPS (INR)	203.2	177.4	14.5	266.4	238.4	11.8	334.5	319.9	4.5

Source: MOFSL

Financials and valuation

Income Statement								(INR m)
Y/E March	2020(12M)	2022(15M)	2023(12M)	2024	2025	2026E	2027E	2028E
Net Sales	34,204	48,840	44,685	52,375	63,849	80,463	1,09,387	1,38,542
Change (%)	5.7	42.8	-8.5	17.2	21.9	26.0	35.9	26.7
Raw Materials	17,606	27,712	27,110	32,191	36,955	43,352	58,935	74,644
Gross Profit	16,599	21,128	17,576	20,184	26,895	37,111	50,451	63,898
Subcontracting charges	2,668	2,865	1,506	1,834	2,702	2,520	3,391	4,295
Staff Cost	3,694	4,868	4,173	4,902	5,448	6,035	8,204	10,391
Other Expenses	7,728	10,289	9,538	9,959	12,787	16,918	22,453	28,438
EBITDA	2,509	3,107	2,359	3,490	5,958	11,638	16,403	20,775
% of Net Sales	7.3	6.4	5.3	6.7	9.3	14.5	15.0	15.0
Depreciation	772	955	802	900	914	1,322	1,947	2,512
Interest	204	414	401	466	452	152	152	152
Other Income	185	669	151	93	186	2,374	2,135	2,524
PBT	1,718	2,407	1,308	2,217	4,778	12,537	16,438	20,635
Tax	365	732	369	579	1,324	3,474	4,555	5,718
Rate (%)	21	30	28	26	28	28	28	28
Extra-ordinary Inc.(net)	-355	359	-	-	386	-	-	-
Reported PAT	998	2,034	939	1,638	3,840	9,063	11,883	14,917
Change (%)	-39.7	103.8	-53.8	74.4	134.4	136.0	31.1	25.5
Adjusted PAT	1,353	1,676	939	1,638	3,454	9,063	11,883	14,917
Change (%)	-34.4	23.8	-44.0	74.4	110.9	162.4	31.1	25.5

Balance Sheet (Standalone)								(INR m)
Y/E March	2020(12M)	2022(15M)	2023(12M)	2024	2025	2026E	2027E	2028E
Share Capital	85	85	85	85	89	89	89	89
Reserves	9,240	11,239	12,068	13,514	42,052	50,936	62,637	77,366
Net Worth	9,325	11,324	12,153	13,599	42,141	51,026	62,726	77,456
Loans	-	1,250	2,750	1,500	-	-	-	-
Deferred Tax Liability	-219	-348	-319	-537	-861	-861	-861	-861
Capital Employed	9,107	12,226	14,584	14,562	41,281	50,165	61,866	76,595
Gross Fixed Assets	8,779	9,547	10,802	11,523	12,648	20,148	28,148	34,148
Less: Depreciation	2,568	3,355	3,998	4,898	5,811	7,134	9,081	11,592
Net Fixed Assets	6,211	6,192	6,805	6,626	6,837	13,015	19,068	22,556
Capital WIP	324	1,183	487	626	902	902	902	902
Goodwill and intangibles	348	334	329	324	329	329	329	329
Investments	-	-	-	-	-	-	-	-
Curr. Assets	27,931	27,182	31,246	38,962	77,205	91,359	1,16,934	1,48,263
Inventory	4,951	7,073	8,179	8,879	9,257	13,209	19,456	26,539
Debtors	15,845	14,187	15,278	15,217	21,096	28,569	38,839	49,190
Cash & Bank Balance	3,190	859	1,633	1,282	38,068	38,510	43,591	53,474
Loans & Advances	163	54	57	69	95	120	163	207
Other Current Assets	3,783	5,009	6,100	13,514	8,689	10,950	14,886	18,854
Current Liab. & Prov.	25,706	22,665	24,282	31,975	43,992	55,439	75,367	95,455
Creditors	15,780	16,190	15,146	18,097	20,419	25,732	34,982	44,305
Other Liabilities	8,044	4,732	7,184	11,659	20,996	26,459	35,970	45,557
Provisions	1,882	1,743	1,952	2,219	2,577	3,248	4,416	5,593
Net Current Assets	2,225	4,517	6,964	6,987	33,213	35,920	41,567	52,808
Application of Funds	9,107	12,226	14,584	14,562	41,281	50,165	61,865	76,595

Financials and valuation

Ratios

Y/E March	2020(12M)	2022(15M)	2023(12M)	2024	2025	2026E	2027E	2028E
Basic (INR)	23.5	48.0	22.1	38.6	86.1	203.2	266.4	334.5
Adjusted EPS	31.9	39.5	22.1	38.6	77.5	203.2	266.4	334.5
Growth (%)	-34.4	23.8	-44.0	74.4	100.5	162.4	31.1	25.5
Cash EPS	50.1	62.0	41.1	59.9	103.0	244.9	326.2	411.1
Book Value	219.9	267.1	286.6	320.7	993.9	1,203.4	1,479.4	1,826.8
DPS	-	2.0	3.0	3.4	3.8	4.0	4.1	4.2
Payout (incl. Div. Tax.)	-	5.0	13.5	8.8	4.9	2.0	1.5	1.3
Valuation (x)								
P/Sales	25.9	18.1	19.8	16.9	14.6	11.6	8.5	6.7
P/E (standalone)	654.3	528.4	942.8	540.5	269.6	102.7	78.4	62.4
Cash P/E	416.7	336.6	508.6	348.8	202.7	85.2	64.0	50.8
EV/EBITDA	351.6	285.1	375.7	253.7	149.9	76.7	54.1	42.2
EV/Sales	25.8	18.1	19.8	16.9	14.0	11.1	8.1	6.3
Price/Book Value	94.9	78.2	72.8	65.1	21.0	17.3	14.1	11.4
Dividend Yield (%)	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profitability Ratios (%)								
RoE	14.5	14.8	7.7	12.0	8.2	17.8	18.9	19.3
RoCE	16.6	16.1	8.4	13.6	9.2	18.3	19.4	19.6
RoIC	23.1	13.2	8.6	14.4	113.5	64.0	57.2	57.1
Turnover Ratios								
Debtors (Days)	169	106	125	106	121	130	130	130
Inventory (Days)	53	53	67	62	53	60	65	70
Creditors. (Days)	168	121	124	126	117	117	117	117
Asset Turnover (x)	3.8	4.0	3.1	3.6	1.5	1.6	1.8	1.8
Leverage Ratio								
Net Debt/Equity (x)	-0.3	0.0	0.1	0.0	-0.9	-0.8	-0.7	-0.7

Cash Flow Statement

(InR m)

Y/E March	2020(12M)	2022(15M)	2023(12M)	2024	2025	2026E	2027E	2028E
PBT before EO Items	1,718	2,407	1,308	2,217	5,164	12,537	16,438	20,635
Add : Depreciation	772	955	802	900	914	1,322	1,947	2,512
Interest	189	405	395	466	452	152	152	152
Less : Direct Taxes Paid	454	928	666	507	1,569	3,474	4,555	5,718
(Inc)/Dec in WC	-3,787	4,447	1,817	493	-10,040	2,264	567	1,358
Others	440	-17	32	-59	-64	-	-	-
CF from Operations	6,452	-1,625	54	2,523	14,938	8,274	13,416	16,222
(Inc)/Dec in FA	-906	-1,675	-120	-889	-1,273	-7,500	-8,000	-6,000
Free Cash Flow	5,547	-3,300	-66	1,634	13,665	774	5,416	10,222
(Pur)/Sale of Investments	-	-	-	-	-	-	-	-
Others	16	5	2	2	173	-	-	-
CF from Investments	-890	-1,670	-118	-887	-1,100	-7,500	-8,000	-6,000
(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	152	152	152
Dividend Paid	-	84	127	144	169	178	183	187
Others	-355	358	2	-185	-191	-	-	-
CF from Fin. Activity	-4,253	964	839	-1,987	22,947	-331	-335	-340
Inc/Dec of Cash	1,309	-2,331	775	-351	36,785	443	5,080	9,883
Add: Beginning Balance	1,880	3,189	858	1,633	1,282	38,068	38,511	43,591
Closing Balance	3,189	858	1,633	1,282	38,068	38,511	43,591	53,474

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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