

# Retail Equity Research

## Hitachi Energy India Ltd

Industrials

BSE CODE: 543187

NSE CODE: POWERINDIA

Bloomberg CODE: POWERINDIA:IN

SENSEX: 75,170

**HOLD**

12 Months Investment Period

Rating as per Small Cap

CMP Rs. 10,444 TARGET Rs. 11,488 RETURN 10% ↑  
(Closing: 28-05-24)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

### Steady growth drivers brighten the future

Incorporated in 2019, Hitachi Energy India Ltd operates in power technologies and makes a range of products across the grid value chain.

- In Q4FY24, revenue increased 27.1% YoY to Rs. 1,695cr due to effective completion of orders.
- EBITDA surged 91.4% to Rs. 182cr and margin expanded 360bps YoY to 10.7% owing to improved revenue mix and operational efficiency.
- The order book was valued at Rs. ~1,408cr, up 11.5% YoY, while order backlog was Rs. 7,230cr as on March 31, indicating strong revenue growth for the upcoming quarters.
- The company's solid growth drivers, boosted by economic growth, revival of private capital expenditure (capex), continued strategic investments in renewable energy and transmission infrastructure position it for sustained growth. However, the stock is currently trading at high valuations. Hence, we maintain our HOLD rating on the stock with a revised target price of Rs. 11,488 based on a target multiple of 6.1x P/S on FY26E Revenue.

### Stellar performance, soaring margin and topline

In Q4FY24, the company's revenue jumped 27.1% YoY to Rs. 1,695cr owing to effective order completion. EBITDA increased 91.4% YoY to Rs. 182cr and margin improved 360bps YoY to 10.7%, thanks to favourable revenue mix and operational efficiency. Addressing supply chain challenges also supported margin growth. Consequently, the reported profit after tax (PAT) shot up 123.7% YoY to Rs. 114cr.

### Steady order book strengthens Hitachi's position

In Q4FY24, the company secured orders totalling Rs. ~1,408cr, reflecting 11.5% YoY increase. Key orders included competitive bids for a 760 kV ICT reactor, Karera 765 MVA reactor in Rajasthan and 10\*50 MVA, 130 kV transformer in Madhya Pradesh. The industrial sector saw substantial growth of 42.0% YoY, driven by electrification, digitisation and energy networks. However, orders in the transmission and railways sectors declined 32.0% and 29.0%, respectively, due to timing effects. Both export and service orders grew 43% YoY, with export orders bolstered by transformers, power quality and other products. As on March 31, 2024, the company had an order backlog of Rs. 7,230cr, indicating strong potential for revenue growth.

### Key concall highlights

- In FY24, EBITDA margin expanded 138bps YoY to 6.7%. The company anticipates further margin improvement in the medium term.
- Inter-regional transmission capacity is projected to reach 1,43,850 megawatts (MW) by March 2027, from the current capacity of 1,16,540 MW.
- Over 30 STATCOM devices are slated to be installed, with a budget of Rs. 1,10,000cr allocated for reactive circuits by 2027.

### Valuation

The company registered robust performance, supported by favorable macroeconomic conditions. Key growth drivers remain solid. The resurgence of private capex is expected to bring opportunities for the industrial sector. Investments in renewable energy, transmission infrastructure and data centres are positive market trends, and the company is well-positioned to capitalise on them. Furthermore, a substantial order backlog signifies the potential for sustained growth. However, since the stock is trading at high valuations, we maintain our HOLD rating on the stock with a revised target price of Rs. 11,488 based on a target multiple of 6.1x P/S on FY26E Revenue.

### Company Data

Market Cap (cr)	Rs. 46,167
Enterprise Value (cr)	Rs. 46,189
Outstanding Shares (cr)	4.2
Free Float	25.0%
Dividend Yield	0.0%
52 week high	Rs. 12,368
52 week low	Rs. 3,812
6m average volume	91,130.9
Beta	0.6
Face value	Rs. 2

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	75.0	75.0	75.0
FII's	4.3	4.1	3.5
MFs/Insti	8.0	8.5	9.8
Public	12.2	12.0	11.4
Others	0.5	0.5	0.4
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	88.8%	129.7%	177.2%
Absolute Sensex	3.1%	14.2%	21.7%
Relative Return*	85.7%	115.4%	155.6%

\*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	5,237	6,540	7,848
Growth (%)	17.2	24.9	20.0
EBITDA	349	610	846
EBITDA Margin (%)	6.7	9.3	10.8
Adj. PAT	164	374	553
Growth (%)	74.4	128.1	48.0
Adj. EPS	38.6	88.1	130.5
Growth (%)	74.4	128.1	48.0
P/E	270.6	118.5	80.0
P/B	32.5	25.9	19.7
EV/EBITDA	132.3	90.6	54.6
ROE (%)	12.0	21.8	24.7
D/E	0.1	0.1	0.1

## Quarterly Financials (Consolidated)

### Profit & Loss Account

Rs. cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Revenue	1,695	1,334	27.1	1,274	33.0	5,237	4,469	17.2
<b>EBITDA</b>	<b>182</b>	<b>95</b>	<b>91.4</b>	<b>68</b>	<b>167.6</b>	<b>349</b>	<b>236</b>	<b>47.9</b>
EBITDA margins	10.7	7.1	360bps	5.3	540bps	6.7	5.3	140bps
Depreciation	23	21	6.9	23	(0.9)	90	80	12.3
<b>EBIT</b>	<b>159</b>	<b>74</b>	<b>115.4</b>	<b>45</b>	<b>252.2</b>	<b>259</b>	<b>156</b>	<b>66.2</b>
Interest	11	11	(0.1)	14	(18.3)	47	40	16.1
Other Income	4	2	71.2	2	76.6	9	15	(38.6)
Exceptional Items	-	-	-	-	-	-	-	-
Share of profit from Associate	-	-	-	-	-	-	-	-
<b>PBT</b>	<b>152</b>	<b>65</b>	<b>133.8</b>	<b>34</b>	<b>350.5</b>	<b>222</b>	<b>131</b>	<b>69.5</b>
Tax	39	14	169.7	11	256.2	58	37	56.9
<b>Reported PAT</b>	<b>114</b>	<b>51</b>	<b>123.7</b>	<b>23</b>	<b>394.8</b>	<b>164</b>	<b>94</b>	<b>74.4</b>
Minority Interest	-	-	-	-	-	-	-	-
<b>PAT att. to shareholders</b>	<b>114</b>	<b>51</b>	<b>123.7</b>	<b>23</b>	<b>394.8</b>	<b>164</b>	<b>94</b>	<b>74.4</b>
Adjustments	-	-	-	-	-	-	-	-
<b>Adj. PAT</b>	<b>114</b>	<b>51</b>	<b>123.7</b>	<b>23</b>	<b>394.8</b>	<b>164</b>	<b>94</b>	<b>74.4</b>
No. of shares	4.2	4.2	0.0	4.2	(0.0)	4.2	4.2	0.0
<b>Adj. EPS (Rs.)</b>	<b>26.8</b>	<b>12.0</b>	<b>123.7</b>	<b>5.4</b>	<b>394.8</b>	<b>38.6</b>	<b>22.2</b>	<b>74.4</b>

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	6,438	7,772	6,540	7,848	1.6	1
EBITDA	615	824	610	846	(0.8)	2.7
Margins (%)	9.6	10.6	9.3	10.8	(30bps)	20bps
Adj. PAT	378	539	374	553	(1.1)	2.6
Adj. EPS	89.2	127.2	88.1	130.5	(1.1)	2.6

## PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Revenue</b>	<b>4,884</b>	<b>4,469</b>	<b>5,237</b>	<b>6,540</b>	<b>7,848</b>
% change	42.8	(8.5)	17.2	24.9	20.0
<b>EBITDA</b>	<b>311</b>	<b>236</b>	<b>349</b>	<b>610</b>	<b>846</b>
% change	23.8	(24.1)	47.9	74.8	38.7
Depreciation	95	80	90	109	115
<b>EBIT</b>	<b>215</b>	<b>156</b>	<b>259</b>	<b>501</b>	<b>731</b>
Interest	41	40	47	55	62
Other Income	103	15	9	15	19
<b>PBT</b>	<b>277</b>	<b>131</b>	<b>222</b>	<b>461</b>	<b>688</b>
% change	103.0	(52.7)	69.5	108.0	49.2
Tax	73	37	58	88	135
Tax Rate (%)	26.5	28.2	26.1	19.0	19.7
<b>Reported PAT</b>	<b>203</b>	<b>94</b>	<b>164</b>	<b>374</b>	<b>553</b>
<b>PAT att. to common shareholders</b>	<b>203</b>	<b>94</b>	<b>164</b>	<b>374</b>	<b>553</b>
Adjustments	(36)	-	-	-	-
<b>Adj PAT</b>	<b>168</b>	<b>94</b>	<b>164</b>	<b>374</b>	<b>553</b>
% change	23.8	(44.0)	74.4	128.1	48.0
No. of shares (cr)	4.2	4.2	4.2	4.2	4.2
<b>Adj EPS (Rs.)</b>	<b>39.5</b>	<b>22.2</b>	<b>38.6</b>	<b>88.1</b>	<b>130.5</b>
% change	23.8	(43.9)	74.4	128.1	48.0
DPS (Rs.)	3.0	3.4	4.0	4.0	4.0

## CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Net inc. + Depn.</b>	<b>299</b>	<b>174</b>	<b>254</b>	<b>482</b>	<b>668</b>
Non-cash adj.	(501)	158	(238)	(38)	(186)
Changes in W.C	75	(327)	237	(205)	(179)
<b>C.F. Operation</b>	<b>(127)</b>	<b>5</b>	<b>252</b>	<b>239</b>	<b>303</b>
Capital exp.	(167)	(12)	(89)	(130)	(157)
Change in inv.	-	-	-	-	-
Other invest.CF	1	0	0	1	1
<b>C.F - Investment</b>	<b>(167)</b>	<b>(12)</b>	<b>(89)</b>	<b>(130)</b>	<b>(156)</b>
Issue of equity	-	-	-	-	-
Issue/repay debt	125	150	(125)	9	12
Dividends paid	(8)	(13)	(14)	(17)	(17)
Other finance.CF	(56)	(54)	(59)	(49)	(56)
<b>C.F - Finance</b>	<b>61</b>	<b>84</b>	<b>(199)</b>	<b>(57)</b>	<b>(61)</b>
Chg. in cash	(233)	77	(35)	53	86
Closing cash	86	163	128	181	267

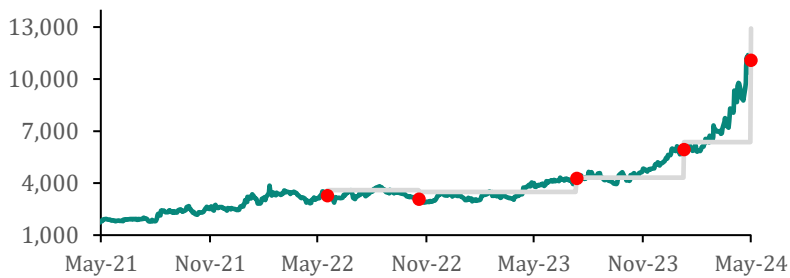
## BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	86	163	128	181	267
Accounts Receivable	1,419	1,528	1,522	1,962	2,370
Inventories	707	818	888	1,117	1,377
Other Cur. Assets	469	563	1,291	1,317	1,353
Investments	-	-	-	-	-
Gross Fixed Assets	955	1,080	1,169	1,300	1,456
Net Fixed Assets	619	680	663	690	739
CWIP	118	49	63	75	90
Intangible Assets	33	33	32	33	33
Def. Tax (Net)	35	32	54	61	95
Other Assets	37	53	67	74	82
<b>Total Assets</b>	<b>3,524</b>	<b>3,919</b>	<b>4,707</b>	<b>5,510</b>	<b>6,405</b>
Current Liabilities	2,210	2,379	3,141	3,578	3,924
Provisions	-	-	-	-	-
Debt Funds	125	275	150	159	171
Other Liabilities	56	49	56	62	68
Equity Capital	8	8	8	8	8
Reserves & Surplus	1,124	1,207	1,351	1,702	2,233
Shareholder's Fund	1,132	1,215	1,360	1,711	2,241
Minority Interest	-	-	-	-	-
<b>Total Liabilities</b>	<b>3,524</b>	<b>3,919</b>	<b>4,707</b>	<b>5,510</b>	<b>6,405</b>
<b>BVPS (Rs.)</b>	<b>267</b>	<b>287</b>	<b>321</b>	<b>404</b>	<b>529</b>

## RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	6.4	5.3	6.7	9.3	10.8
EBIT margin (%)	4.4	3.5	4.9	7.7	9.3
Net profit mgn.(%)	4.2	2.1	3.1	5.7	7.0
ROE (%)	18.0	7.7	12.0	21.8	24.7
ROCE (%)	17.1	10.5	17.2	26.8	30.3
<b>W.C &amp; Liquidity</b>					
Receivables (days)	106.0	124.8	106.0	109.5	110.2
Inventory (days)	93.2	110.1	100.7	102.2	102.9
Payables (days)	213.2	203.9	205.2	208.1	206.6
Current ratio (x)	1.1	1.2	1.2	1.2	1.3
Quick ratio (x)	0.6	0.6	0.5	0.6	0.6
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	5.5	4.4	4.7	5.3	5.7
Total asset T.O (x)	1.4	1.2	1.2	1.3	1.3
Int. coverage ratio (x)	5.2	3.9	5.6	9.1	11.9
Adj. debt/equity (x)	0.1	0.2	0.1	0.1	0.1
<b>Valuation</b>					
EV/Sales (x)	3.1	3.2	8.4	6.7	5.6
EV/EBITDA (x)	48.2	60.5	132.3	90.6	54.6
P/E (x)	89.1	150.9	270.6	118.5	80.0
P/BV (x)	13.2	11.7	32.5	25.9	19.7

## Recommendation Summary (Last 3 Years)



Dates	Rating	Target
9-Jun-22	HOLD	3,597
10-Nov-22	ACCUMULATE	3,492
3-Aug-23	HOLD	4,317
31-Jan-24	HOLD	6,360
29-May-24	HOLD	11,488

Source: Bloomberg, Geojit research

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

### Not rated/Neutral

#### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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