Hitachi Energy India — BUY

Complexity and Expertise at the Core

Summary

Hitachi Energy India is a potent play on the strong and growing theme of power transmission in India and across the world. We like the company on the back of (1) Leadership and Rich Proficiency in HVDC Project execution (2) Strong demand drivers and tailwinds for base business and (3) Robust HVDC Pipeline. Hitachi Energy is benefitting from strong demand from end user industries such as utilities, data centres, renewables and railways. Hitachi has already bagged two mega HVDC projects namely Khavda-Nagpur and Bhadla-Fatehpur of 6GW each in FY25 and FY26 respectively which will see increasing revenue contribution from FY27 onwards. HVDC is poised to be a solid theme with a long runway for growth with only a handful of players who possess the expertise to execute such complex projects.

Key Highlights and Investment Rationale

- **Strong Beneficiary of Robust HVDC Momentum:** Considering the recently awarded HVDC projects, Hitachi Energy has secured more than 200bn worth of orders which is a strong testament to its technological and execution prowess. A robust ~Rs 1trn HVDC pipeline is expected to be awarded in India over the next 2-3 years. We expect Hitachi energy to secure one HVDC order each in FY27 and FY28 as well as we expect order traction to sustain over the medium term.
- **Initiate with BUY:** We initiate with BUY with TP of Rs 35,001 at 75xFY28 expected earnings. With Hitachi winning more orders, strong growth will extend way beyond FY28 as the HVDC theme is here to stay. Although valuations are undeniably rich, the long runway for growth for HVDC, the size of opportunity, limited number of players and robust industry tailwinds makes it a structurally strong investment theme.

TP	**Rs35,001**
CMP	**Rs29,652**
Potential upside/downside	18%

Price Performance (%)

	-1m	-3m	-12m
Absolute	18.5	78.4	125.2
Rel to Sensex	13.1	82.8	125.2

V/s Consensus

EPS (Rs)	FY26E	FY27E	FY28E
IDBI Capital	225	316	466
Consensus	219	309	436
% difference	*2.8*	*2.3*	*6.9*

Key Stock Data

Bloomberg/Reuters	POWERIND IN/HITN.BO
Sector	Electrical Equipment
Shares o/s (mn)	45
Market cap. (Rs mn)	13,21,675
3-m daily avg. trd. value (Rs mn)	--
52-week high / low	Rs29,890 / 13,185
Sensex / Nifty	78,520 / 24,365

Shareholding Pattern (%)

Promoters	71.3
FII	11.7
DII	6.5
Public	10.5

Consolidated Financial Snapshot (Rs mn)

Year	FY24	FY25	FY26E	FY27E	FY28E
Revenue	52,375	63,849	78,731	1,13,540	1,60,585
Change yoy, %	*17*	*22*	*23*	*44*	*41*
EBITDA	3,490	5,958	11,967	18,393	27,621
Change yoy, %	*48*	*71*	*101*	*54*	*50*
EBITDA Margin (%)	*6.7*	*9.3*	*15.2*	*16.2*	*17.2*
Adj.PAT	1,638	3,840	10,047	14,067	20,765
EPS (Rs)	36	85	225	316	466
Change yoy, %	*74.4*	*134.4*	*161.6*	*40.0*	*47.6*
P/E(x)	824.9	351.9	106.9	76.4	51.7
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0
P/B (x)	99.4	32.1	20.7	16.3	12.4
RoE (%)	12.7	13.8	21.3	24	27
RoCE (%)	19	17.7	22.7	28	33

Source: IDBI Capital Research, Company

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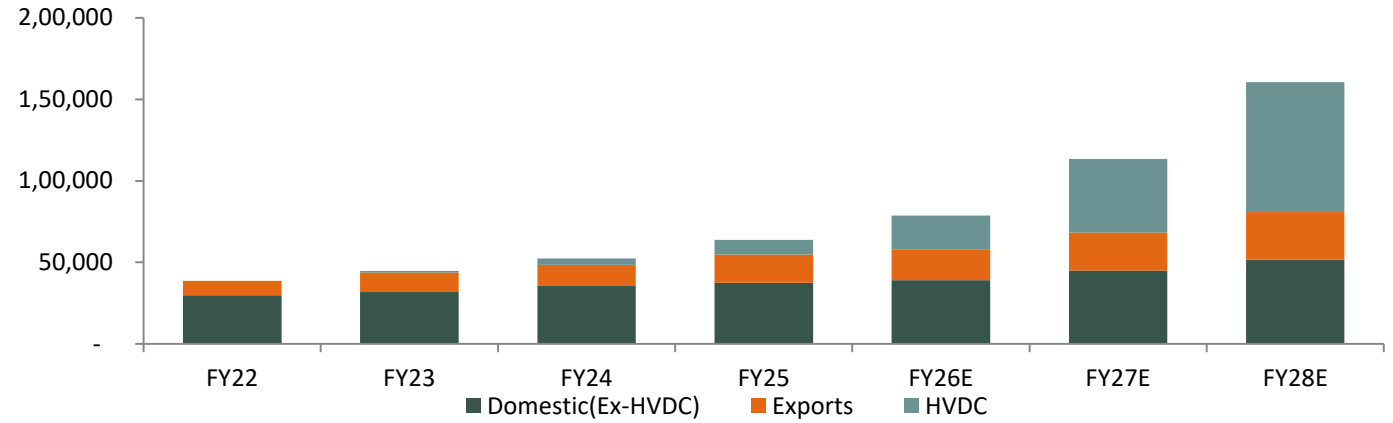
Focus Chart

Exhibit 1: Revenue Contribution from HVDC slated to increase with higher revenue recognition (Rs mn)



Source: Company; IDBI Capital Research

We expect the HVDC revenue contribution to increase rapidly in FY27 and FY28 on the back of higher revenue recognition of the 2 large HVDC projects won in FY25 and FY26. A robust ~Rs 1trn HVDC pipeline is expected to be awarded in India over the next 2-3 years. We expect Hitachi energy to secure one HVDC order each in FY27 and FY28 as well as we expect order traction to sustain over the medium term.We expect domestic(ex-HVDC) revenue to grow at a steady pace with exports growing at a faster pace with increased sourcing by the parent entity. With Hitachi winning more orders, strong growth will extend way beyond FY28 as the HVDC theme is here to stay.

Investment thesis

- **A true “Champion” in HVDC Project Execution**

  Hitachi Energy is the undisputed market leader in HVDC projects within India having 48% share of the 33.5GW operational HVDC capacity. The parent company had installed the first ever HVDC project in Gotland in Sweden in 1954 and since then has installed 150GW+ capacity of HVDC projects across the world. This includes India's first ever HVDC project in Vindhyachal commissioned in 1989. According to the National Electricity Plan for Transmission, the CEA aims to scale the current HVDC operational capacity from 33.5 GW to 66.75 GW in FY32. For this purpose,8-9 projects are being planned at a a total cost of ~ Rs 1.9trn till FY32. Going beyond FY32, additional 6-7 projects are being planned with a Rs 1trn+ investment. Further when you consider the recently awarded HVDC projects, Hitachi Energy has secured more than 200bn worth of orders which is a strong testament to its technological and execution prowess. A robust ~Rs 1trn HVDC pipeline is expected to be awarded in India over the next 2-3 years. We expect Hitachi energy to secure one HVDC order each in FY27 and FY28 as well as we expect order traction to sustain over the medium term.

Exhibit 2: Hitachi HVDC Projects

Sr. No.	Hitachi HVDC Projects	Voltage Level	Capacity (MW)	Length (ckm)	Technology	Transmission Operator	HVDC Executor	Commissioning
1	Vindhyachal (UP)	±70 kV	500	0	LCC	Power Grid	Hitachi	1989
2	Rihand to Dadri (UP)	±500 kV	1,500	1,634	LCC	Power Grid	Hitachi-BHEL	1990
3	Chandrapur to Padghe (Maharashtra)	±500 kV	1,500	1,504	LCC	MSEDCL	Hitachi-BHEL	1999
4	Vizag II (Andhra Pradesh)	±176 kV	500	0	LCC	Power Grid	Hitachi	2005
5	Biswanath Chariyali (Assam) to Agra (UP) I-II	±800 kV	3,000	3,506	LCC	Power Grid	Hitachi-BHEL	2015-2016
6	Agra (UP) to Alipurduar (West Bengal) extension III-IV	±800 kV	3,000	44	LCC	Power Grid	Hitachi-BHEL	2017
7	Raigarh (Chhattisgarh) to Pugalur (Tamil Nadu) I-IV	±800 kV	6,000	3,531	LCC	Power Grid	Hitachi-BHEL	2020
	Total Operational Projects		**16,000**	**10,219**				
8	Aarey to Kudus (Maharastra)	±320 kV	1,000	80	VSC	Adani Energy	Hitachi	FY26E
9	Khavda (Gujarat) to Nagpur (Maharashtra)	±800 kV	6,000	2,400	LCC	Power Grid	Hitachi-BHEL	FY29E-30E
10	Bhadla (Rajasthan) to Fatehpur (UP)	±800 kV	6,000	1,900	LCC	Adani Energy	Hitachi-BHEL	FY29E-30E
	Total Under-Construction Projects		13,000	4,380				
	Total		**29,000**	**14,599**				

Source: Company; IDBI Capital Research

- **Robust HVDC Pipeline in the Offing**

  According to the National Electricity Plan for Transmission, the CEA aims to scale the current HVDC operational capacity from 33.5 GW to 66.75 GW in FY32. For this purpose,8-9 projects are being planned at a a total cost of ~ Rs 1.9trn till FY32. Going beyond FY32, additional 6-7 projects are being planned with a Rs 1trn+ investment. Owing to a strong pipeline of orders and the government's sharp impetus on scaling up power transmission we expect Hitachi Energy to benefit immensely through large order wins.

Exhibit 3: India HVDC Project Pipeline

Sr. No.	India HVDC Project Pipeline	Voltage Level	Capacity(MW)	Length (ckm)	Technology	Estimated Cost (Rs bn)	Transmission Operator	HVDC Executor	Planned Commissioning
1	Aarey to Kudus (Maharastra)	±320 kV	1,000	80	VSC	83	Adani Energy	Hitachi	FY26
2	Khavda (Gujarat) to Nagpur (Maharashtra)	±800 kV	6,000	2,400	LCC	248	Power Grid	Hitachi-BHEL	FY29-30
3	Bhadla (Rajasthan) to Fatehpur (UP)	±800 kV	6,000	1,900	LCC	250	Adani Energy	Hitachi-BHEL	FY29-30
4	Khavda to South Olpad (Gujarat)	±500 kV	2,500	1,900	VSC	186	Adani Energy	GE Vernova	FY29
5	Lakadia – Alephata	±800 kV	6,000	800	LCC/VSC	250	NA	NA	FY30-31
6	Barmer (Rajasthan) to South Kalamb(Maharashtra)	±800 kV	6,000	2,000	LCC	250	Under bidding	N/A	FY30
7	Bikaner (Rajasthan) to Begunia (Odisha)	±800 kV	6,000	3,800	LCC	250	Planned	N/A	FY30
8	Paradeep (Odisha) to Port Blair (Andaman)-Phase I	±320 kV	250	2,300	VSC	310	Power Grid	N/A	FY32
9	India (Madurai Tamil Nadu) to Sri Lanka (Mannar)	±320 kV	500	172	VSC	99	Planned	N/A	FY32
	Total as per NEP		34,250	15,352		1,926			
10	Paradeep (Odisha) to Nicobar (via Andaman) - Phase II	±320 kV	250	1,100	VSC	70	Power Grid	N/A	N/A
11	Barmer (Rajasthan) to Jabalpur (MP)	±800 kV	6,000	2,200	TBA	TBA	Planned	N/A	N/A
12	India (Imphal) to Myanmar (Tamu)	TBA	500	0	LCC	TBA	Planned	N/A	N/A
13	India to Singapore (via Andaman)	TBA	2,000	N/A	Likely VSC	TBA	Planned	N/A	N/A
14	India to Saudi Arabia	TBA	2,000	3,400	Likely VSC	470	Planned	N/A	N/A
15	India to UAE	TBA	2,000	2,800	Likely VSC	435	Planned	N/A	N/A

Sr. No.	India HVDC Project Pipeline	Voltage Level	Capacity(MW)	Length (ckm)	Technology	Estimated Cost (Rs bn)	Transmission Operator	HVDC Executor	Planned Commissioning
	Total beyond NEP		12,750	9,500		975			
	Total		**47,000**	**24,852**		**2,901**			

Source: Company; IDBI Capital Research

Exhibit 4: HVDC near-term pipeline with estimated cost of Rs ~1 trn

Sr. No.	Project	Voltage Level	Capacity(MW)	Length (ckm)	Technology	Estimated Cost(Rs bn)	Expected Award Date
1	Barmer – South Kalamb	±800 kV	6,000	2,000	LCC	250	H2FY27
2	India – Sri Lanka	±320 kV	500	172	VSC	99	FY28
3	Lakadia – Alephata	±800 kV	6,000	800	LCC/VSC	250	FY27
4	Paradeep (Odisha) to Port Blair (Andaman)-Phase I	±320 kV	250	2,300	VSC	310	FY28
5	Pusauli HVDC Upgrade	±800 kV	1,000	800	VSC	34.4	FY27
	Total			**6,072**		**943.4**	

Source: Company; IDBI Capital Research

- **Complexity of HVDC Projects limits competition to a select few players**

  HVDC (High-Voltage Direct Current) is a highly effective power transmission technology that uses direct current to transmit large amounts of electricity over very long distances or via underwater cables. It converts alternating current (AC) to DC for transport and back to AC, enabling the connection of asynchronous grids, integration of renewables, and improved grid stability.

  High-voltage direct current (HVDC) is a system for transmitting electricity, usually for bulk power transfer over long distances, where AC transmission becomes inefficient due to technical limitations. It is more efficient than alternating current (AC) for long-distance, with lower losses. It is used for connecting asynchronous grids, such as submarine cables (e.g., between India and Sri Lanka) or long-distance overhead lines. Power is generated as AC, converted to high-voltage DC at a sending station, and then inverted back to AC at the receiving end for distribution. The two main technologies are Line-Commutated Converters (LCC) (using thyristors) and Voltage-Source Converters (VSC) (using IGBTs). It is typically used for long-distance, high-capacity transmission, underwater cable links, and interconnecting separate power grids.

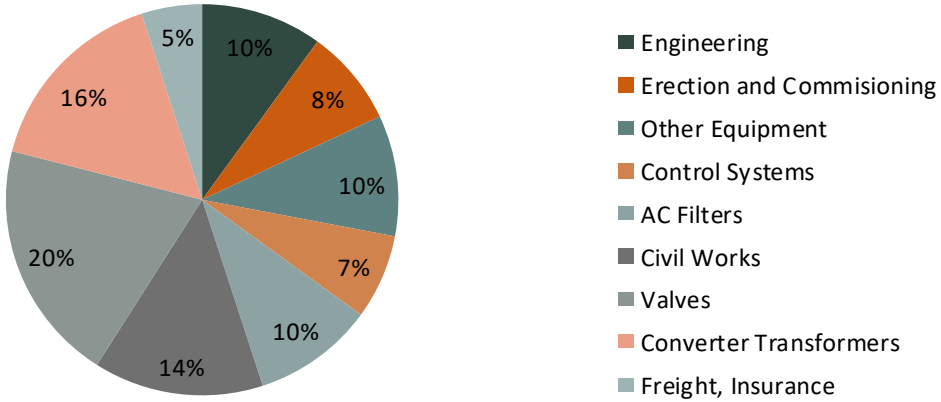
  High Voltage Direct Current (HVDC) is considered a complex technology primarily because it requires sophisticated, high-cost power electronic converter stations at both ends of a transmission line to convert Alternating Current (AC) to Direct Current (DC) and back again. Unlike traditional AC systems that use simple transformers, HVDC relies on advanced semiconductor devices (thyristors or IGBTs) to manage power flow.

Key Reasons for HVDC Complexity:

- **State of the art Conversion Equipment:** Converter stations are technically demanding to design and build, requiring advanced power electronics to switch high voltages (up to ±1100 kV).
- **Lack of Natural Zero-Crossing:** Unlike AC, DC current does not have natural zero-current crossings, making the development of circuit breakers to interrupt fault currents extremely difficult and requiring specialized, fast-acting hybrid or solid-state breakers.

- **Powerful Control Systems:** To maintain system stability and regulate power flow, HVDC requires advanced control systems (e.g., MACH) that manage active and reactive power, often requiring high-speed communication between stations.
- **Harmonic Filtering:** Line-Commutated Converter (LCC) systems generate significant harmonic distortion, requiring massive, complex, and expensive filter banks at the converter stations.
- **High Initial Costs and Specialized Maintenance**: The high capital cost of converter stations and the need for specialized, highly skilled personnel for operation and maintenance make HVDC projects complex to implement.
- **Multi-terminal and Grid Integration:** Creating multi-terminal networks (connecting more than two points) is technically challenging due to the need for precise coordination between converters.

Exhibit 5: Typical HVDC Capex Cost Break Up



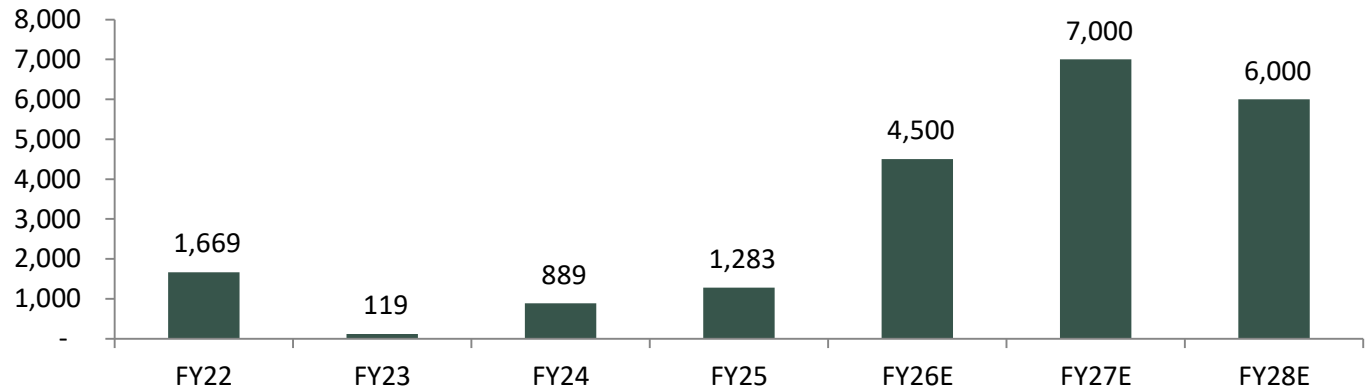
Source: Company; IDBI Capital Research

Despite this complexity, HVDC is essential for long-distance transmission (typically over 600–800 km), connecting asynchronous grids (e.g., different frequencies), and bringing renewable energy from remote areas. **Owing to the complexity and the technological prowess required for executing HVDC projects, only Hitachi Energy, GE Vernova T&D and Siemens Energy can offer end to end HVDC solutions thereby limiting competition. Moreover, when it comes to LCC technology in HVDC, the competition further narrows down to only Hitachi Energy and GE Vernova T&D.**

- **Robust slate of Rs 20 bn capex pencilled in over the medium term underpinning the strong upcycle in power capex**

Hitachi raised Rs25 bn via a QIP in November 2024 to help fund a major Rs20 bn capex plan over the next 4-5 years, which compares with Rs5 bn spent over CY20-FY25. Rs15 bn from the QIP proceeds are allocated to capex. Expansion plans include capacity augmentation in traction transformers, power transformers, dry-type transformers, HVDC components, and network control solutions. The company already expanded its footprint in FY24 with new plants set up in Chennai (for HVDC and power quality) and Bengaluru (for power quality). This reflects management's confidence in a strong power equipment demand pipeline ahead which will fuel long-term growth prospects. We expect this capex to support localization efforts as well as build capacity for leveraging the exports value chain.

Exhibit 6: Robust capex pipeline corroborates the strong underlying power upcycle (Rs mn)



Source: Company; IDBI Capital Research

- **Base orders expected to exhibit steady growth underpinned by tailwinds in end user industries**

  End user segments for Hitachi Energy are seeing strong tailwinds with respect to growth underpinned by the solid rise of infrastructure spending both in terms of conventional and new age infrastructure. We elaborate the prospects of the critical end user business verticals below.

  A) Power: Demand from power is expected to be on a strong footing underpinned by rising power need from new age verticals such as data centres, higher computing demands from AI and increase in power hungry applications across the board. The analysis of peak power demand across end-user sectors reveals that the industrial (manufacturing) and commercial segments continue to dominate India's power consumption landscape. In FY2025, the industrial segment is estimated to account for 109 GW of peak demand, expected to rise significantly to 159.3 GW by FY2030E, translating to a CAGR of 7.9%. This growth is underpinned by sustained industrialization, investments in manufacturing infrastructure, and Make-in-India initiatives.

  The commercial sector, comprising real estate, retail spaces, hospitality, and healthcare, is projected to increase from 82.1 GW in FY2025 to 110.9 GW by FY2030E, reflecting a CAGR of 6.2%. Growth in this

segment will be led by continued real estate expansion and increased energy intensity across modern commercial establishments.

On the other hand, the agriculture sector is expected to see moderate growth from 41.3 GW to 51.3 GW (CAGR: 4.4%) owing to gradual electrification of irrigation and mechanized farming practices. Meanwhile, the "other" segments (including petrol pumps, rentals, and miscellaneous commercial usage) are expected to rise from 2.2 GW to 2.7 GW, with a relatively low CAGR of 4.3%.

Among the fastest-growing segments:

- **IT/Data centres:** Projected to witness a sharp rise in demand from 1.4 GW in FY2025 to 4.7 GW in FY2030E, registering the highest CAGR of 31.7%, driven by rising hyperscale data centre investments and cloud infrastructure deployment.
- **EV Charging:** Set to grow from 3.6 GW to 10.8 GW (CAGR: 24.6%) owing to increased electric vehicle penetration and supportive government policies.
- **Telecom:** Expected to increase from 17.5 GW to 28.2 GW, growing at a CAGR of 10.0%, fuelled by 5G rollout, tower infrastructure expansion, and rising mobile data usage.

This broad-based expansion in power demand underscores the growing importance of resilient power backup systems including diesel generator sets as critical enablers of uninterrupted operations across both traditional and emerging sectors. The rising peak demand also points to increased pressure on grid infrastructure, reinforcing the case for localized backup solutions, particularly in power-intensive sectors like IT, EV, and telecom.

Exhibit 7: Projected Transmission Lines (ckm)

Transmission lines	FY22	FY27	FY32
HVDC	19,375	19,455	34,887
765 kv	51,023	87,581	1,14,719
400 kv	1,93,978	2,28,596	2,49,585
230/220 kv	1,92,340	2,35,771	2,48,999

Source: Company; IDBI Capital Research

Exhibit 8: Projected Substation Capacity (MVA)

Sub-stations	FY22	FY27	FY32
765 kv	2,57,200	6,00,700	9,20,200
400 kv	3,93,113	6,78,083	8,13,828
230/220 kv	4,20,637	5,68,497	6,11,107
Total	**10,70,950**	**18,47,280**	**23,45,135**

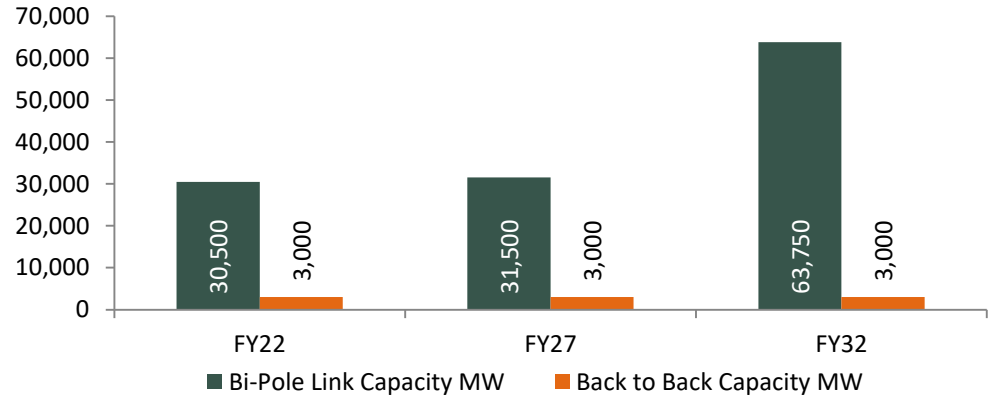
Source: Company; IDBI Capital Research

Exhibit 9: Projected HVDC Capacity (MW)

HVDC	FY22	FY27	FY32
Bi-Pole Link Capacity	30,500	31,500	63,750
Back to Back Capacity	3,000	3,000	3,000
Total	**33,500**	**34,500**	**66,750**

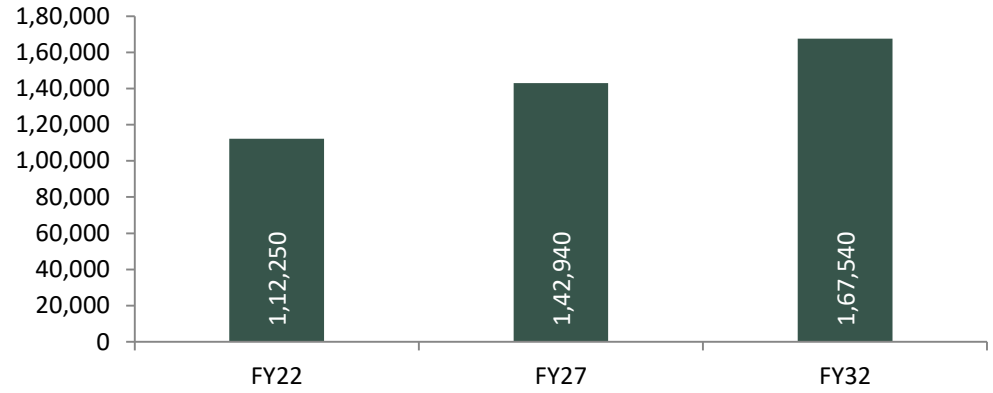
Source: Company; IDBI Capital Research

Exhibit 10: HVDC Capacity Projections (MW)



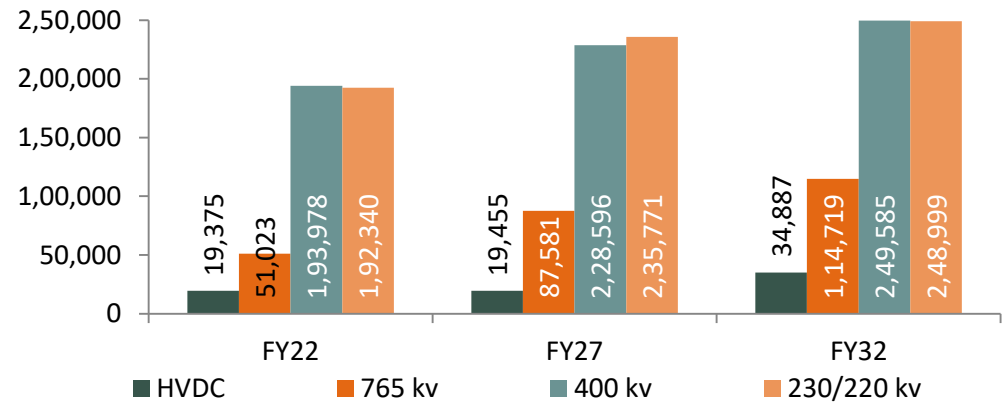
Source : Company, IDBI Capital Research

Exhibit 11: Inter-regional transmission length projections (ckm)



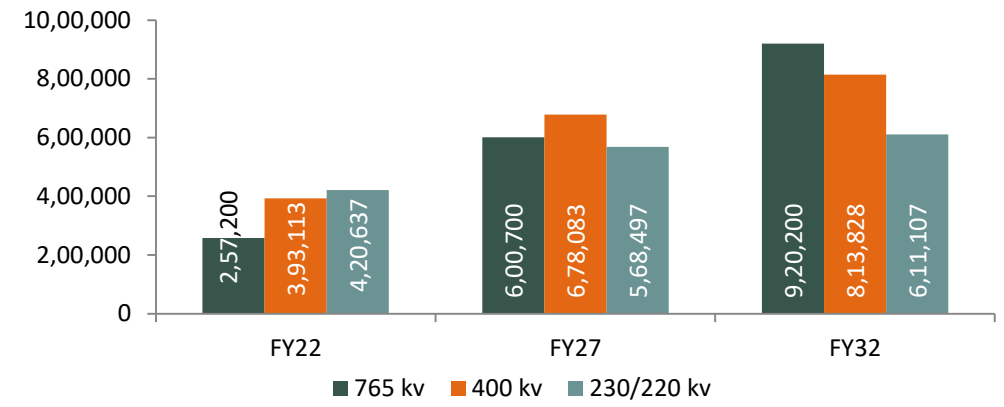
Source : Company, IDBI Capital Research

Exhibit 12: Transmission Lines Length Projections (ckm)



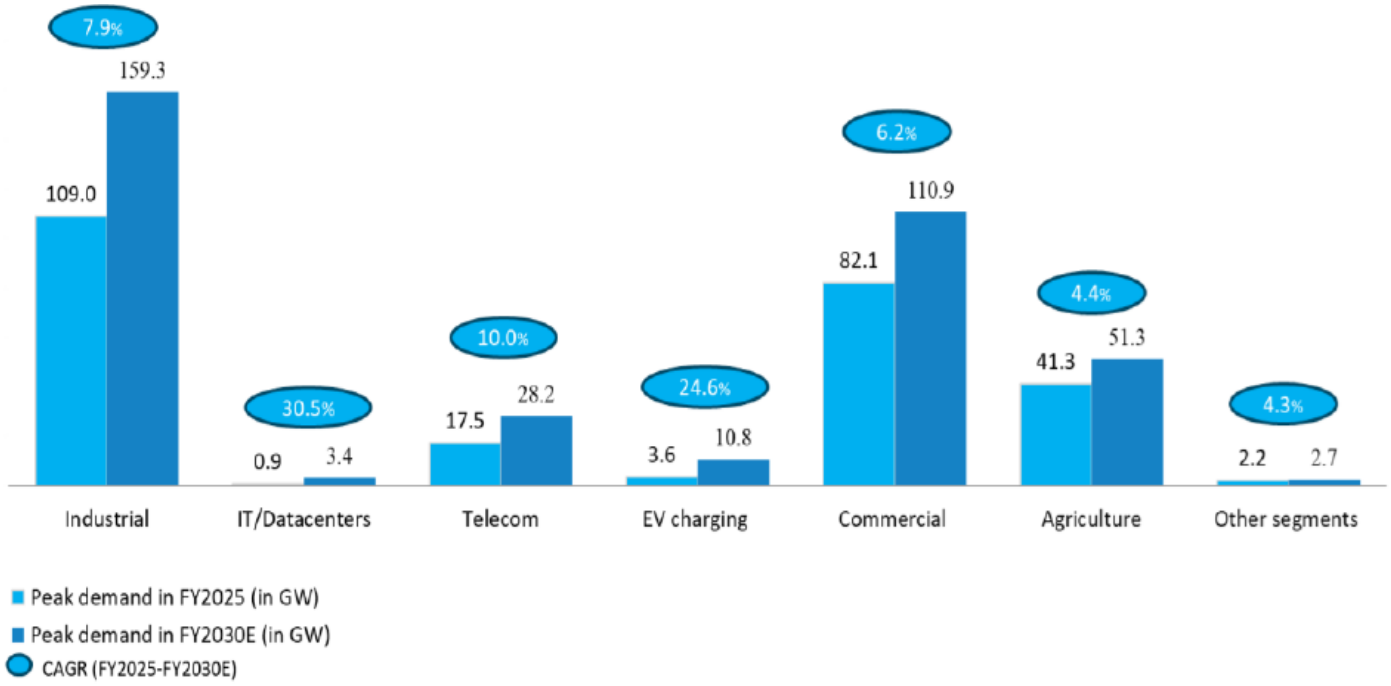
Source : NEP, Company, IDBI Capital Research

Exhibit 13: Sub-station Capacity Projections (MVA)



Source : NEP, Company, IDBI Capital Research

Exhibit 14: Power demand by key industry segments, in GW, FY2025 vs FY2030E



Source: Company; IDBI Capital Research

B) Data Centres: Data centres are essential for enabling digital services across key sectors such as commercial including BFSI, telecom, and govt. & defence. Uninterrupted power supply is a critical operational necessity for data centres, ensuring 24/7 uptime for mission-critical applications.

India's data centre demand is rising rapidly due to:

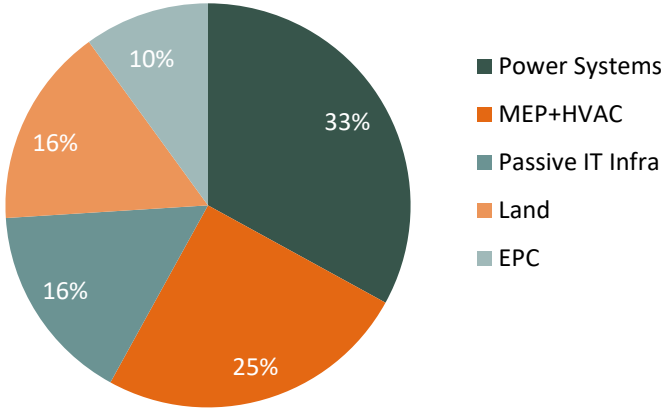
- Accelerated digitalization and cloud adoption.
- Explosive growth in data consumption.
- Rising use of OTT platforms, e-governance, fintech, and e-commerce.
- Increasing regulatory push for local data storage.
- AI adoption is a key driver, requiring high-performance computing and large-scale data processing

Market outlook:

- India's data centre operational power capacity was 0.919 GW in FY2024 and increased to 1.4 GW in FY25.
- It is projected to reach 4.700 GW by FY2030, representing a strong CAGR of ~27.4% (FY2025–FY2030).
- The rapid expansion of data centres is driving a sharp increase in demand for standby power solutions.

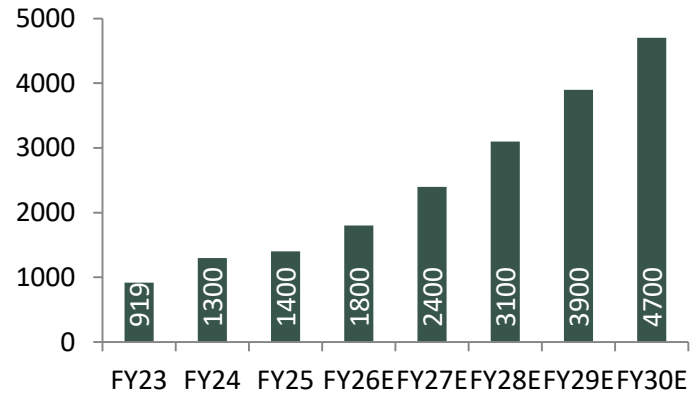
India's data centre market is expected to expand significantly over the coming years, with operational capacity projected to rise from 1,400 MW in FY25 to around 4,700 MW by FY30. This growth is anticipated to be driven by cloud adoption, AI-led computing demand, and strong investor commitments across major hubs. Correspondingly, the data centre market value is anticipated to increase from Rs 840 bn in FY25 to approximately Rs 3525 bn by FY30, supported by higher MW additions and rising capital expenditure per MW. The increase in per-MW capex is attributable to the deployment of high-performance computing infrastructure and the requirement for associated advanced cooling technologies.

Exhibit 15: Data Centre Cost Break Up



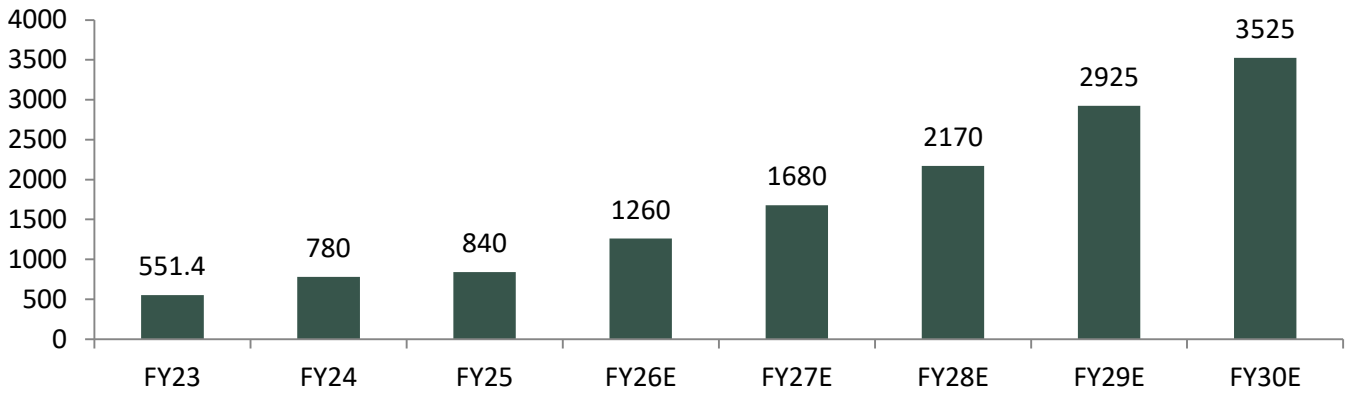
Source: Company; IDBI Capital Research

Exhibit 16: Data Centre Operational Capacity in India (MW)



Source: Company; IDBI Capital Research

Exhibit 17: Data Centre Market Size in India (Rs Bn)



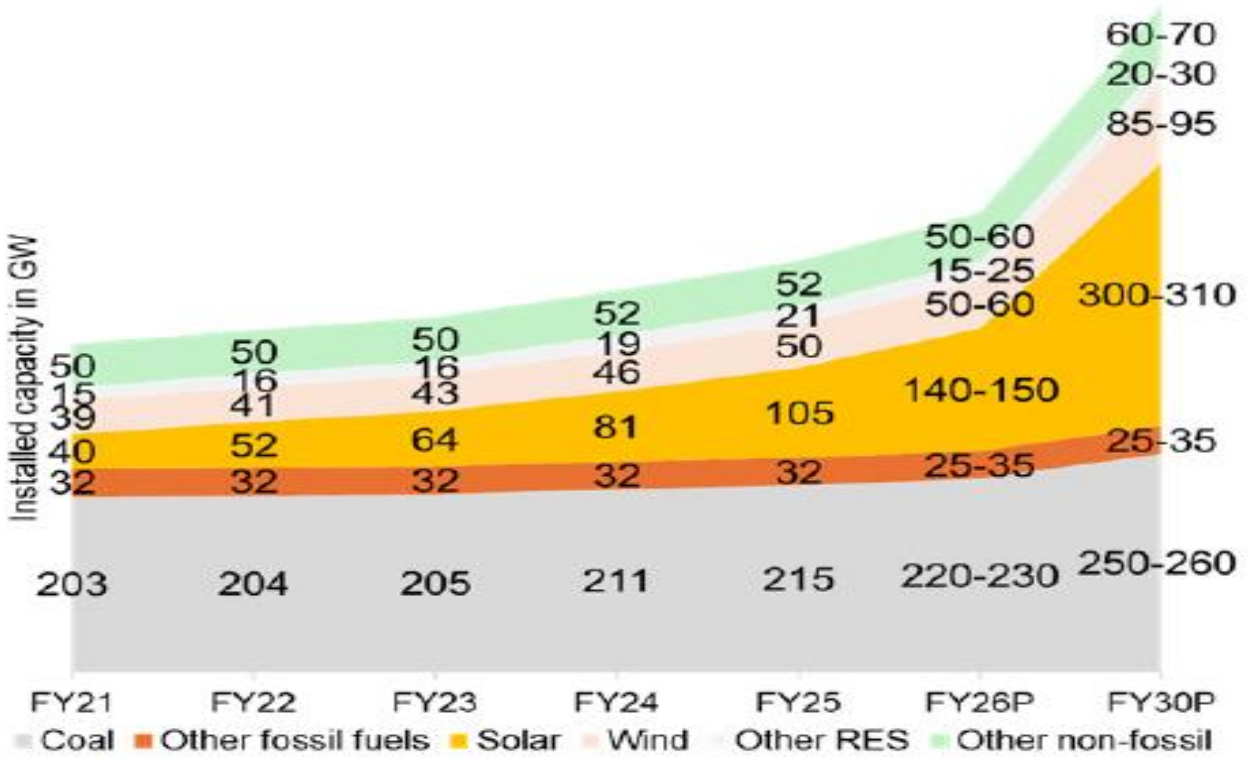
Source: Company; IDBI Capital Research

Data Centres are slated to grow at a robust CAGR of 27% in volume terms and 33% in value terms from FY25 to FY30. Hitachi's addressable TAM will be about 15% of the incremental total data centre investments translating to Rs 88-90 bn of annual TAM each year from this segment.

C) Renewables: The renewable energy capacity is expected to increase to 415-425 GW mark by fiscal 2030 on back of strong renewable capacity additions between fiscal 2026-2030 (excluding hydro and storage elements). The renewable energy capacity would account for 50-55% of the total capacity, which is expected to reach 810-820 GW. On the other hand, moderate coal-based capacity additions of 30-40 GW are expected to lower coal's share to 30-35% in fiscal 2030. Other fossil fuels (including lignite, gas, and diesel) are expected to remain stagnant due to negligible capacity additions. Inclusion of hydro, nuclear power and storage capacity in clean energy, compared with coal plants, is expected to provide a fillip to non-fossil capacity, taking it to 525-535 GW by fiscal 2030, constituting a staggering 65-70% share in installed capacity.

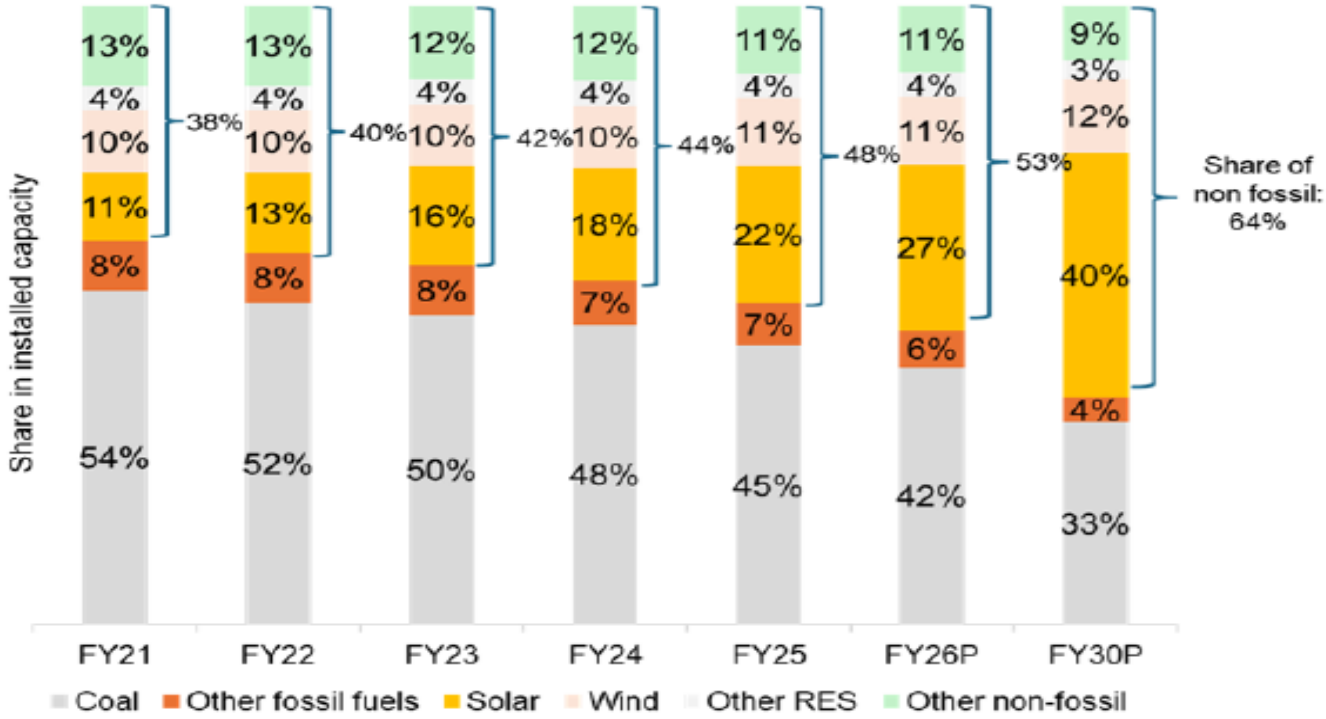
India's installed generation capacity is estimated to be 535-545 GW as of fiscal 2026 from 356 GW at the end of fiscal 2019. As of fiscal 2026, the country's installed capacity is estimated to be dominated by thermal power, which is expected to account for 45-50% of the total capacity, renewable energy sources (35-40%), followed by hydroelectric power (8-10%) and nuclear power (1-5%). The majority of India's thermal power generation is based on coal, with a small share from natural gas and diesel.

Exhibit 18: Share of Renewables to rise



Source: Company; IDBI Capital Research

Exhibit 19: Share of Renewables to rise by a large proportion in the next 4 years

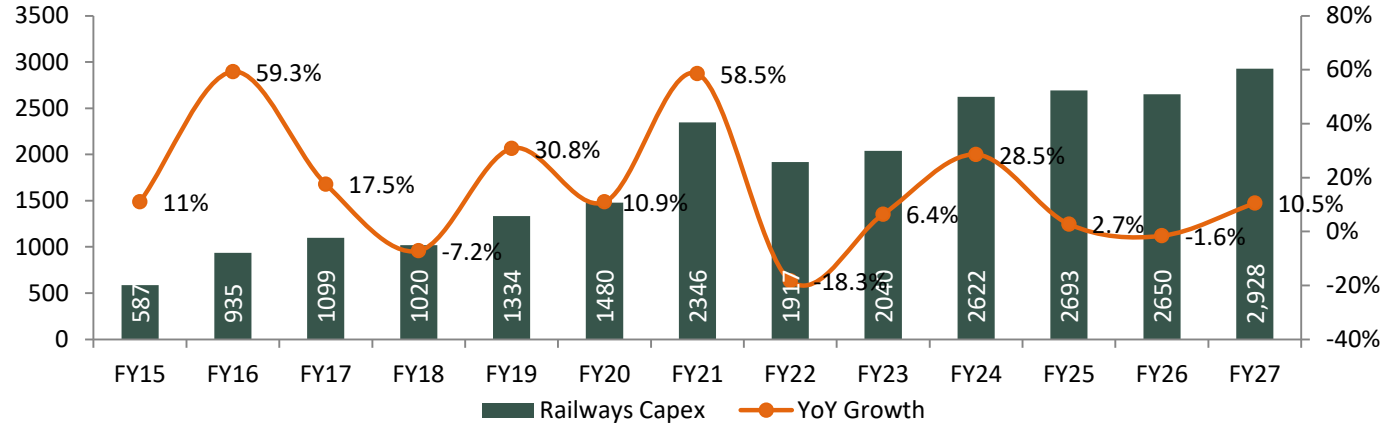


Source: Company; IDBI Capital Research

With the rapid surge in the deployment of renewable energy, the need for high voltage transformers, switchgears and especially high end equipment such as STATCOMs and FACTS becomes very critical. These devices enhance power grid stability, increase transmission capacity, and improve power quality using advanced power electronics. These technologies allow for better utilization of existing networks and support renewable energy integration. The tendering pipeline for STATCOMs is robust for the next decade presenting an annual TAM of Rs 35 bn.

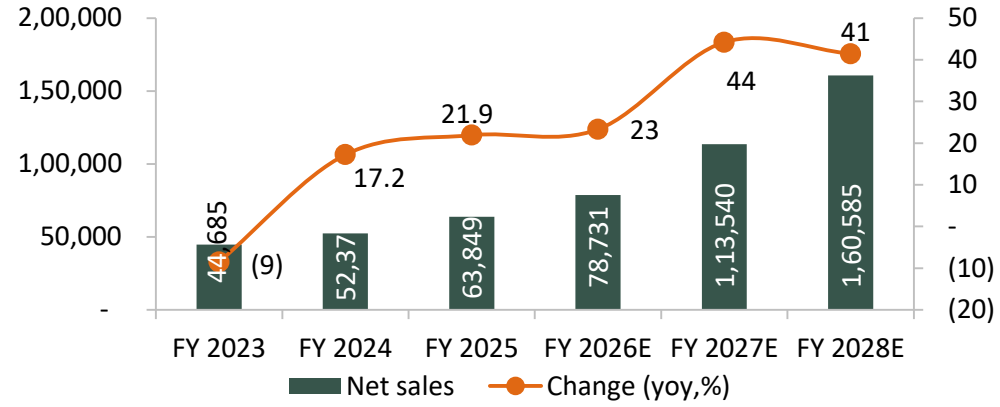
D) Railways: Hitachi has a solid presence in rail electrification, with its solutions deployed in 80% of India's metro systems and transformers powering 1/3rd of Indian Railways' locomotives. Transportation accounted for 10% of order flow in FY25 and 25% ex-HVDC. Management sees sizeable opportunities in metro network expansion, high-speed rail projects, and rolling stock upgrades, which could further diversify and strengthen the order pipeline. With the Railways capex growing 5x from FY15 levels, we expect continued momentum in railway electrification projects, substations and transformers being deployed into this vertical which bodes strongly for Hitachi Energy.

Exhibit 20: Railway Capex Trend (Rs bn)



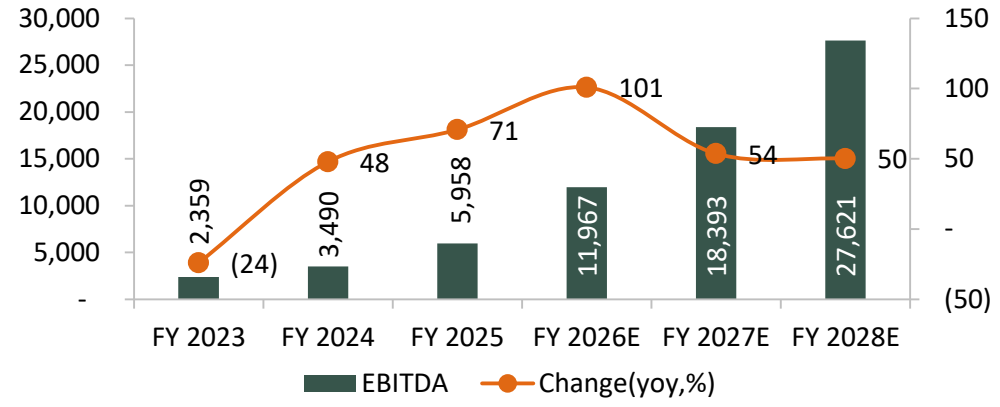
Source: Company; IDBI Capital Research

Exhibit 21: Revenue and Revenue Growth Snapshot(Rs mn)



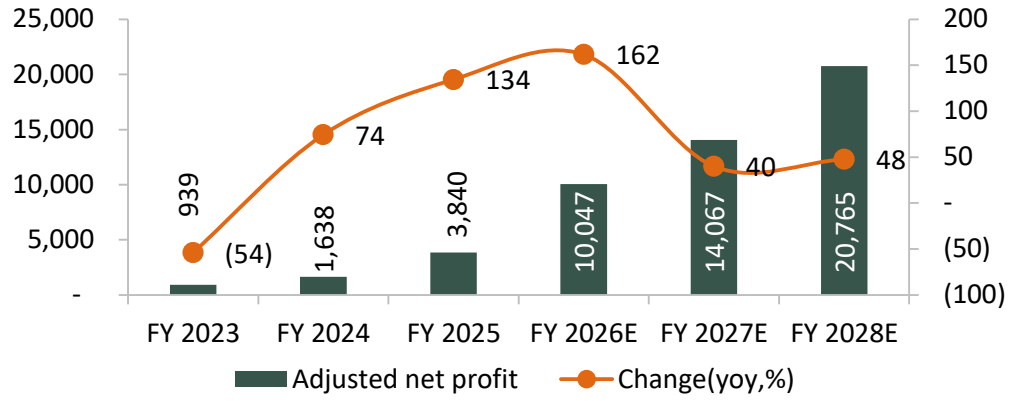
Source : Company, IDBI Capital Research

Exhibit 22: EBITDA and EBITDA Growth Snapshot(Rs mn)



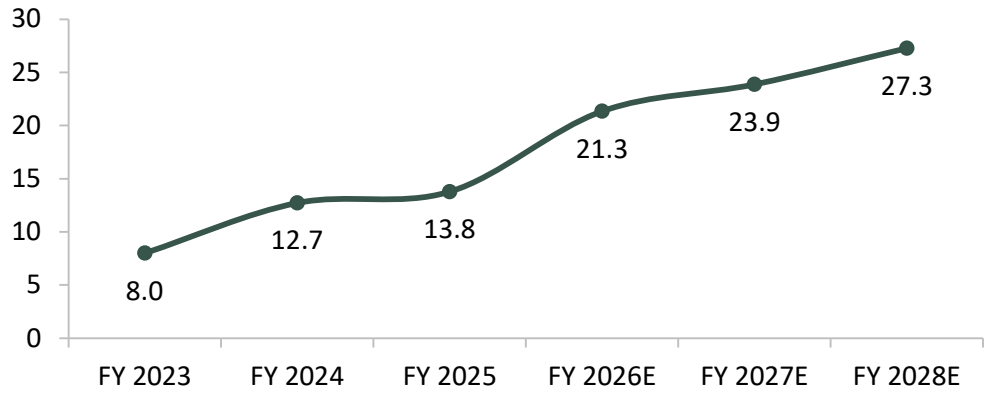
Source : Company, IDBI Capital Research

Exhibit 23: PAT and PAT Growth Snapshot(Rs mn)



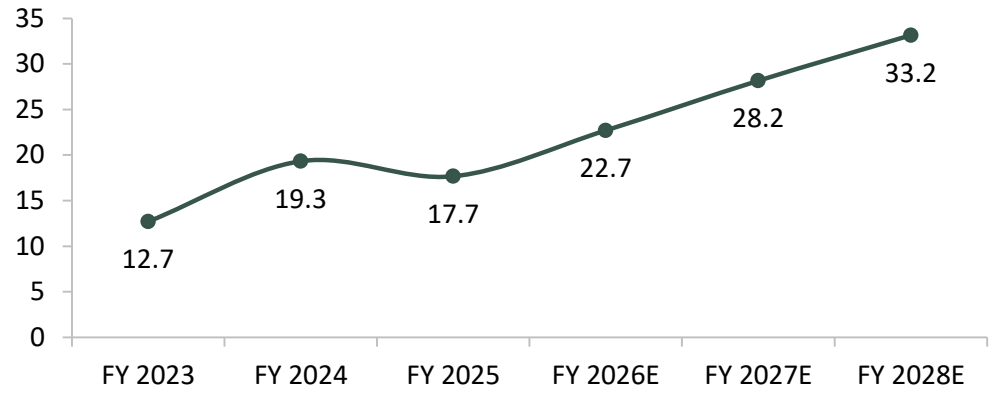
Source : Company, IDBI Capital Research

Exhibit 24: ROE Snapshot (%)



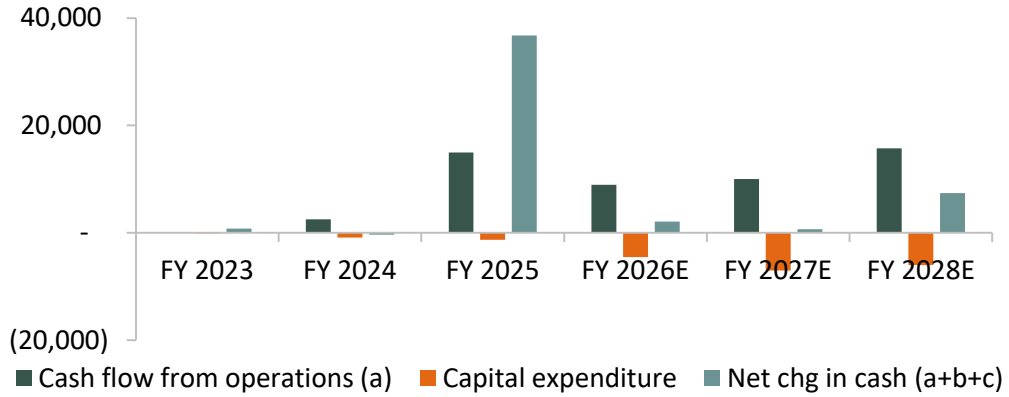
Source : Company, IDBI Capital Research

Exhibit 25: ROCE Snapshot (%)



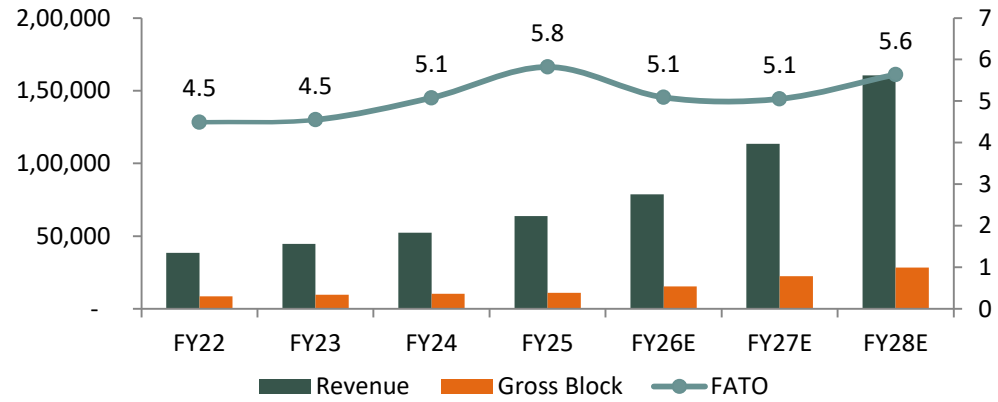
Source : Company, IDBI Capital Research

Exhibit 26: Cash Flow Snapshot(Rs mn)



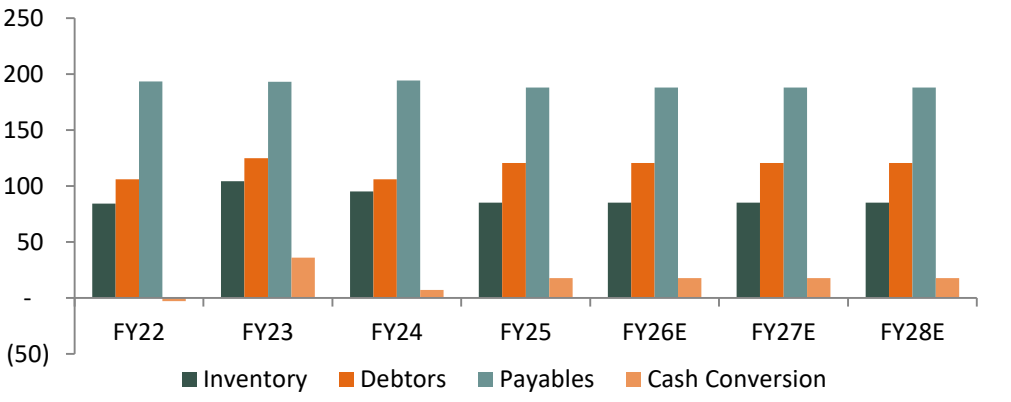
Source : Company, IDBI Capital Research

Exhibit 27: FATO Snapshot (Rs mn)



Source : Company, IDBI Capital Research

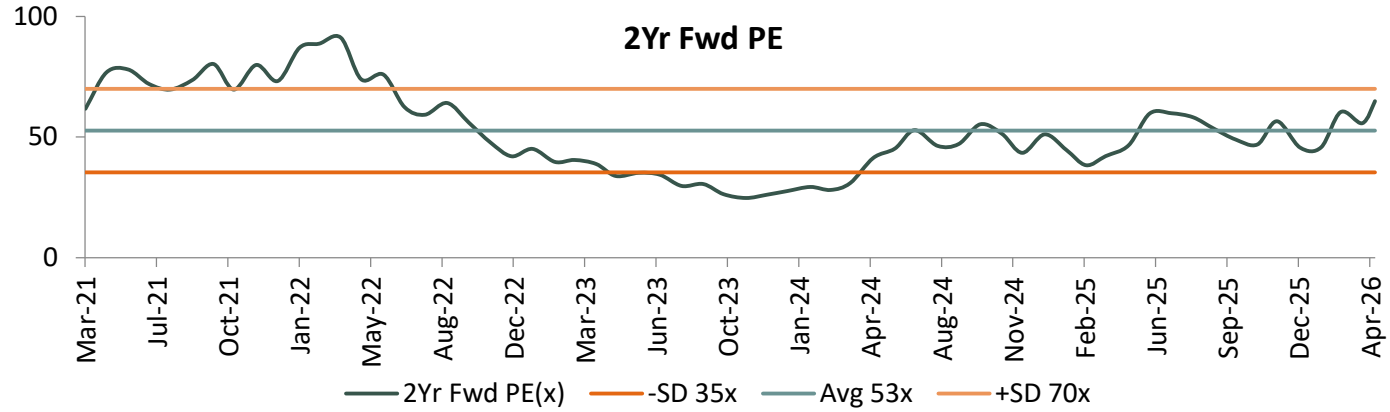
Exhibit 28: Working Capital Snapshot(Days)



Source : Company, IDBI Capital Research

Valuation

Exhibit 29: 2 year forward PE band



Source: Company; IDBI Capital Research

We expect Revenue, EBITDA and PAT to grow at robust CAGR of 36%, 67% and 76% respectively over FY25 to FY28E.With Hitachi winning more orders, strong growth will extend way beyond FY28 as the HVDC theme is here to stay. Although valuations are undeniably rich, the long runway for growth for HVDC, the size of opportunity, limited number of players and robust industry tailwinds makes it a structurally strong investment theme. Taking the same into account we initiate with BUY with TP of Rs 35,001 at 75xFY28 expected earnings.

Peer Valuation

Exhibit 30: Comparative financial performance of peers

Valuation Table	Rating	MCap (Rs bn)	CMP (Rs)	TP (Rs)	Up / Down (%)	P/E (x)			EV/EBITDA (x)			ROE (%)		
						FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Hitachi Energy	**BUY**	1,321	29,645	35,001	18%	132.8	94.8	64.2	107.9	70.1	46.3	21.3	23.9	27.3
GE Vernova T&D	**BUY**	1083	4,232	5,214	23%	89.6	69.4	48.7	66.6	51.3	35.5	51.5	42.5	40.4
Siemens Energy	**NR**	1117	3,138	-	-	77.4	59.5	48.9	55.5	43.1	35.7	29.0	30.4	27.5

Source: Company, IDBI Capital Research

Company overview

Hitachi is the Indian arm of Japan-based Hitachi Energy, a global leader in electrification and grid technologies and part of the broader Hitachi Group. The company operates 19 factories across 8 manufacturing locations in India, offering a comprehensive portfolio of products, systems, and solutions through 5 business units – Transformers, Grid Integration, High Voltage Products, Grid Automation, and Services. It caters to utilities, industries, railways, and data centers in India and abroad – directly or via EPCs, OEMs, and distributors. With 75+ years of presence in India, it has an installed base of Rs820 bn across generation, transmission, and industrial assets.

Exhibit 31: Hitachi Energy Business Verticals

Transformers	Grid Integration (GI)	High Voltage Products	Grid Automation (GA)	Services
Power transformers	HVDC	Gas-insulated switchgears	Substation automation	Install & commission
Traction transformers	Substations	Surge arresters	Network control	Asset assessment
Dry-type transformers	STATCOMs	Circuit breakers	Grid edge solutions	Spares & maintenance
Insulation components	Power quality solutions	Instrument transformers	Enterprise software solutions	Upgrade, repair & extend
Transformer digitalization		Disconnectors		Replace & decommission
		Power quality products		Sustainability consulting
				Training & development

Source: Company; IDBI Capital Research

Key Risks:

- Delays in execution of HVDC projects.
- Weakness in order inflows owing to lower power demand

Financial Summary

Consolidated Profit & Loss Account

(Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net sales	**44,685**	**52,375**	**63,849**	**78,731**	**1,13,540**	**1,60,585**
Change (yoy, %)	*(9)*	*17.2*	*21.9*	*23*	*44*	*41*
Operating expenses	(42,326)	(48,885)	(57,891)	(66,764)	(95,146)	(1,32,964)
EBITDA	**2,359**	**3,490**	**5,958**	**11,967**	**18,393**	**27,621**
Change (yoy, %)	*(24)*	*48*	*71*	*101*	*54*	*50*
Margin (%)	*5.3*	*6.7*	*9.3*	*15.2*	*16.2*	*17.2*
Depreciation	(802)	(900)	(914)	(1,097)	(1,574)	(2,114)
EBIT	**1,558**	**2,590**	**5,045**	**10,870**	**16,819**	**25,507**
Interest paid	(401)	(466)	(452)	(113)	(113)	(113)
Other income	151	93	572	2,729	2,177	2,479
Pre-tax profit	**1,308**	**2,217**	**5,164**	**13,485**	**18,883**	**27,873**
Tax	(369)	(579)	(1,324)	(3,439)	(4,815)	(7,108)
Effective tax rate (%)	*28.2*	*26.1*	*25.6*	*25.5*	*25.5*	*25.5*
Minority Interest	-	-	-	-	-	-
Net profit	**939**	**1,638**	**3,840**	**10,047**	**14,067**	**20,765**
Exceptional items	-	-	-	-	-	-
Adjusted net profit	**939**	**1,638**	**3,840**	**10,047**	**14,067**	**20,765**
Change (yoy, %)	*(54)*	*74*	*134*	*162*	*40*	*48*
EPS	21.1	36.7	86.1	225.4	315.6	465.9
Dividend per sh	2.8	3.2	3.8	4.2	4.6	5.0
Dividend Payout %	*13*	*9*	*4*	*2*	*1*	*1*

Consolidated Balance Sheet (Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Shareholders' funds	**12,153**	**13,599**	**42,141**	**52,002**	**65,865**	**86,406**
Share capital	85	85	89	89	89	89
Reserves & surplus	12,068	13,514	42,052	51,913	65,776	86,316
Total Debt	**2,750**	**1,500**	-	-	-	
Other liabilities	(2,262)	(937)	806	806	806	806
Curr Liab & prov	**26,544**	**32,912**	**43,186**	**47,901**	**58,428**	**73,618**
Current liabilities	24,592	30,693	40,609	45,323	55,851	71,040
Provisions	1,952	2,219	2,577	2,577	2,577	2,577
Total liabilities	**27,032**	**33,475**	**43,992**	**48,707**	**59,234**	**74,423**
Total equity & liabilities	**39,185**	**47,074**	**86,133**	**1,00,709**	**1,25,099**	**1,60,829**
Net fixed assets	6,654	6,587	6,838	10,241	15,666	19,552
Investments	35	32	28	28	28	28
Other non-curr assets	1,777	2,168	3,458	3,458	3,458	3,458
Current assets	**30,719**	**38,288**	**75,810**	**86,982**	**1,05,947**	**1,37,791**
Inventories	8,179	8,879	9,257	11,394	16,167	23,053
Sundry Debtors	15,278	15,217	21,096	26,013	37,513	53,057
Cash and Bank	1,633	1,282	38,068	42,186	44,877	54,291
Loans and advances	5,629	12,909	7,389	7,389	7,389	7,389
Total assets	**39,185**	**47,074**	**86,133**	**1,00,709**	**1,25,099**	**1,60,829**

Consolidated Cash Flow Statement (Rs mn)

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Pre-tax profit	1,308	2,217	5,164	13,485	18,883	27,873
Depreciation	802	900	914	1,097	1,574	2,114
Tax paid	(666)	(507)	(1,569)	(3,439)	(4,815)	(7,108)
Chg in working capital	(1,817)	(493)	10,040	(2,340)	(5,746)	(7,241)
Other operating activities	427	407	389	113	113	113
Cash flow from operations (a)	**54**	**2,523**	**14,938**	**8,917**	**10,009**	**15,752**
Capital expenditure	(119)	(889)	(1,283)	(4,500)	(7,000)	(6,000)
Chg in investments	-	-	-	(2,000)	(2,000)	(2,000)
Other investing activities	1	2	183	-	-	
Cash flow from investing (b)	**(118)**	**(887)**	**(1,100)**	**(6,500)**	**(9,000)**	**(8,000)**
Equity raised/(repaid)	-	-	25,208	-	-	
Debt raised/(repaid)	-	-	-	-	-	
Dividend (incl. tax)	(127)	(144)	(169)	(186)	(204)	(225)
Chg in minorities	-	-	-	-	-	
Other financing activities	964	(1,844)	(2,092)	(113)	(113)	(113)
Cash flow from financing (c)	**837**	**(1,987)**	**22,947**	**(299)**	**(317)**	**(338)**
Net chg in cash (a+b+c)	**773**	**(351)**	**36,785**	**2,118**	**691**	**7,414**

Financial Ratios

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Book Value (Rs)	273	305	945	1,167	1,478	1,939
Adj EPS (Rs)	*21.1*	*36.7*	*86.1*	*225.4*	*315.6*	*465.9*
Adj EPS growth (%)	*-54*	*74*	*134*	*162*	*40*	*48*
EBITDA margin (%)	*5.3*	*6.7*	*9.3*	*15.2*	*16.2*	*17.2*
Pre-tax margin (%)	*2.9*	*4.2*	*8.1*	*17.1*	*16.6*	*17.4*
Net Debt/Equity (x)	*0.1*	*0.0*	*-0.9*	*-0.8*	*-0.7*	*-0.6*
ROCE (%)	*12.7*	*19.3*	*17.7*	*22.7*	*28.2*	*33.2*
ROE (%)	*8.0*	*12.7*	*13.8*	*21.3*	*23.9*	*27.3*
DuPont Analysis						
Asset turnover (x)	1.2	1.2	1.0	0.8	1.0	1.1
Leverage factor (x)	3.2	3.3	2.4	2.0	1.9	1.9
Net margin (%)	*2.1*	*3.1*	*6.0*	*12.8*	*12.4*	*12.9*
Working Capital & Liquidity ratio						
Inventory days	67	62	53	53	52	52
Receivable days	125	106	121	121	121	121
Payable days	131	135	129	137	137	140

Valuations

Year-end: March	FY23	FY24	FY25	FY26E	FY27E	FY28E
PER (x)	655.8	279.7	106.9	76.4	51.7	655.8
Price/Book value (x)	79.0	25.5	20.7	16.3	12.4	79.0
EV/Net sales (x)	20.5	16.2	13.1	9.1	6.4	20.5
EV/EBITDA (x)	307.9	173.9	86.2	56.0	36.9	307.9
Dividend Yield (%)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*

Source: Company; IDBI Capital Research

JASON SOANS

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4. Fees to RA may be paid by the client through any of the specified modes like cheque, online bank transfer, UPI, etc. Cash payment is not allowed. Optionally the client can make payments through Centralized Fee Collection Mechanism (CeFCoM) managed by BSE Limited (i.e. currently recognized RAASB).
5. The RA is required to abide by the applicable regulations/ circulars/ directions specified by SEBI and RAASB from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. The RA will endeavor to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.
6. Any assured/guaranteed/fixed returns schemes or any other schemes of similar nature are prohibited by law. No scheme of this nature shall be offered to the client by the RA.
7. The RA cannot guarantee returns, profits, accuracy, or risk-free investments from the use of the RA's research services. All opinions, projections, estimates of the RA are based on the analysis of available data under certain assumptions as of the date of preparation/publication of research report.
8. Any investment made based on recommendations in research reports are subject to market risks, and recommendations do not provide any assurance of returns. There is no recourse to claim any losses incurred on the investments made based on the recommendations in the research report. Any reliance placed on the research report provided by the RA shall be as per the client's own judgement and assessment of the conclusions contained in the research report.
9. The SEBI registration, Enlistment with RAASB, and NISM certification do not guarantee the performance of the RA or assure any returns to the client.
10. For any grievances,

    Step 1: the client should first contact the RA using the details on its website or following contact details:

    (RA to provide details as per 'Grievance Redressal / Escalation Matrix')

    Step 2: If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at www.scores.sebi.gov.in

    Step 3: The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at https://smartodr.in
11. Clients are required to keep contact details, including email id and mobile number/s updated with the RA at all times.
12. The RA shall never ask for the client's login credentials and OTPs for the client's Trading Account Demat Account and Bank Account. Never share such information with anyone including RA.