

# Shubh Nivesh



## Growth momentum to continue...

**About the stock:** HPL Electric & Power (HPL), incorporated in 1992, is among India's leading electric equipment manufacturer with a formidable presence across two major segments, 1) Metering & Systems and 2) Consumer & Industrials

- Metering & systems segment contributed ~58% to total revenues as of FY24, while balance ~42% by consumer & industrials. Company has 7 manufacturing facilities (5 in Haryana & 2 in Himachal) and 2 R&D centers. In meters segment, company has an annual capacity of 11 million units

### Investment Rationale:

- **Strong order backlog in smart meters segment with robust pipeline; execution remains healthy:** We believe that smart meters segment will remain the key growth driver for HPL in the coming period. Company's execution remains healthy in smart metering segment, which grew by 32% YoY in H1FY25. We believe that execution is expected to pick-up further in the coming periods led by increasing localisation with in-house manufacturing of required critical components. Company's order book stands strong at Rs 3500+ crore as of Sept 2024 (~94% of OB is for smart meters and would be executed in 2-2.5 years). The order backlog implies 3.6x of TTM metering revenues, providing strong medium-term growth visibility in the segment. Moreover, the company is strongly positioned to get significant number of orders in coming future also as the tendering activities remains healthy. Out of 22.24 crore meters sanctioned by the govt, large part is yet to be awarded to meter manufacturers like HPL
- **Comprehensive product portfolio; Consumer & Industrial segment too is poised to grow considerably:** Company's other segments like cables and switchgears are also witnessing strong growth led by healthy demand, augmentation of product portfolio and expansion of dealers and retailers network. With strong capabilities across design, development & manufacturing capabilities led by backward integrated manufacturing facilities & R&D centers, company has been able to diversify its product portfolio which now covers a wide range of low-voltage electric products. With focus remains on improving cost competitiveness, market reach and expansion of product portfolio, we believe company would see considerable growth in Industrial & Consumer segment also with healthy growth in switchgear and wire & cables and recovery in lighting segment

### Rating and Target Price

- HPL is strongly positioned to witness healthy growth led by robust opportunity arising in smart meters segment. Moreover, consumer & industrial segment too is poised to grow considerably in the coming period. We estimate revenue CAGR of ~22% over FY24-27E while EBITDA & PAT to grow at ~28% & ~48% CAGR respectively over the same period
- We recommend BUY on HPL Electric with a target price of ₹ 660 per share (based on 30x P/E to FY27E EPS)



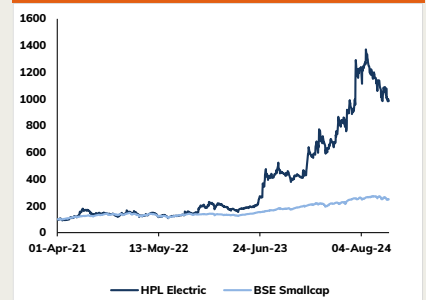
### Particulars

Particular	Amount
Market Capitalisation (Rs crore)	3,112
FY24 Gross Debt (Rs crore)	623
FY24 Cash (Rs crore)	59
EV (Rs crore)	3,676
52 Week H/L (Rs)	694 / 199
Equity Capital	64.3
Face Value	10.0

### Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	72.7	72.7	72.7	72.7
FII	0.0	0.2	0.7	0.5
DII	0.2	0.3	0.2	0.2
Others	27.1	26.8	26.4	26.6

### Price Chart



### Key risks

- delays in tenders of smart meters
- increase in competition
- volatility in raw material prices

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### Key Financial Summary

(Rs crore)	FY21	FY22	FY23	FY24	3 Year CAGR (FY21-24)	FY25E	FY26E	FY27E	3 Year CAGR (FY24-27E)
Revenues	875	1,014	1,262	1,461	18.6	1,770	2,184	2,656	22.1
EBITDA	119	125	157	192	17.3	255	327	403	28.0
EBITDA margin (%)	13.6	12.3	12.4	13.2		14.4	15.0	15.2	
Net Profit	10	8	30	44	63.3	80	109	141	47.9
EPS (Rs)	1.6	1.2	4.7	6.8		12.5	17.0	22.0	
P/E (x)	310.5	398.8	103.0	71.3		38.7	28.4	22.0	
EV/EBITDA (x)	30.1	28.7	23.2	19.1		15.2	12.4	10.5	
RoCE (%)	6.0	6.2	8.8	10.9		12.7	14.6	15.9	
RoE (%)	1.3	1.0	3.8	5.3		9.0	11.2	12.9	

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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