

Well positioned for strong growth...

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

Q1FY25 Performance: Revenue increased by 22.5% YoY to ₹ 392.9 crore, led by ~36% revenue growth in metering & systems segment (60% of total revenue). Revenue from consumer & industrial segment (40% of revenue) was up 6.4% YoY. Sequentially, total revenue is down 7.4% as both the segments revenue declined 7-8% QoQ. EBITDA margin improved by 180 bps YoY (+126 bps QoQ) to 14.3% on lower RM cost. Subsequently, EBITDA was up 40.2% YoY (+1.6% QoQ) to ₹ 56.1 crore. PAT stood at ₹ 17 crore (+145.4% YoY, +24.1% QoQ)

Investment Rationale:

- Strong order backlog in smart meters segment with healthy pipeline: Company's order backlog stands at Rs 3700 crore as of June 2024 (with execution timeline of 1.5-2 years), of which ~94% is contributed by smart meters. This implies 3.8x of TTM revenues from metering segment, providing strong revenue growth visibility in . We believe that this segment will remain the key growth driver for HPL in the coming period considering the strong pipeline. Out of 22.2 crore meters sanctioned by the govt, only 52% of this has been awarded to AMISPs (Advanced Metering Infrastructure Service Provider). Moreover, large part of these already awarded contracts are yet to be ordered out to smart meter manufacturers. This provides strong growth visibility over the longer term
- Comprehensive product portfolio; Consumer & Industrial segment too is poised to grow considerably: 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 & Industrial 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 maintain BUY on HPL Electric with a target price of ₹ 750 per share (based on 40x FY26E EPS)



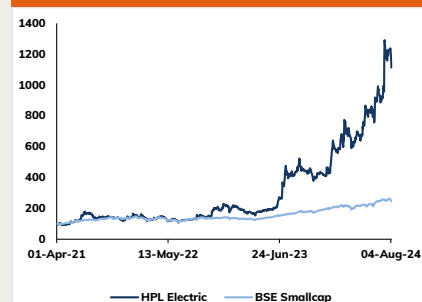
Particulars

Particular	Amount
Market Capitalisation (Rs crore)	3,884
FY24 Gross Debt (Rs crore)	623
FY24 Cash (Rs crore)	59
EV (Rs crore)	4,448
52 Week H/L (Rs)	668 / 179
Equity Capital	64.3
Face Value	10.0

Shareholding pattern

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

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	2 Year CAGR (FY24-26E)
Revenues	875	1,014	1,262	1,461	18.6	1,828	2,306	25.6
EBITDA	119	125	157	192	17.3	265	351	35.2
EBITDA margin (%)	13.6	12.3	12.4	13.2		14.5	15.2	
Net Profit	10	8	30	44	63.3	83	121	66.3
EPS (Rs)	1.6	1.2	4.7	6.8		12.9	18.8	
P/E (x)	387.4	497.6	128.5	89.0		46.9	32.2	
EV/EBITDA (x)	36.6	34.9	28.1	23.1		17.6	13.9	
RoCE (%)	6.0	6.2	8.8	10.9		13.4	15.7	
RoE (%)	1.3	1.0	3.8	5.3		9.3	12.2	

Q1FY25 earnings call highlights

- Order backlog stands at Rs 3700 crore as of June 2024 with smart meters comprising ~94% of these orders. This will be executed over the next 18-24 months
- Large order of smart meters worth Rs 2100 crore was recently signed in July 2024. This was a single order from one of the large AMISP (Advanced Metering Infrastructure Service Provider)
- Capacity utilisation of 11 million units capacity in smart meters has been enhanced through increased automation in testing & assembly
- Capacity will be augmented further in future, in-line with the increasing demand
- Out of 22.24 crore meters sanctioned by the government, contract for 11.76 crore meters has been awarded to AMISPs. However, out of these 11.76 crore meters, significant part is yet to be ordered out to smart meter manufacturers
- Company estimates contracts for 4-5 crore meters are under negotiations process and expected to be awarded in the coming future
- Overall smart meters opportunity remains huge considering its increasing usage and requirement in sectors like data centers, smart cities, solar power, residential, malls etc
- Recent MoU signed with Guangxi Ramway Technology, for in-house manufacturing of latching relays, would help the company in backward integration in smart meters considering that the relays are one of the critical components of smart meters. It will help in price competitiveness as the cost of production is expected to come down after domestic manufacturing (vs imports earlier)
- Company may look for collaborations in other components also (apart from relays) for in-house manufacturing
- Company's focus remains on timely execution and cost competitiveness across segments
- Consumer, Industrial & Services segment revenue growth of 6.5% YoY in Q1FY25 was mainly driven by 13% YoY growth in wires & cables segment and 19% growth in domestic switchgear segment
- In LED segment, there has been stabilisation materialised after 6 quarters in terms of pricing. Last six quarters, volume growth was better but company faced significant value erosion due to decline in prices
- HPL has been supplying products related to 5G infrastructure and sees sizable potential in this segment
- Overall growth for FY25E is expected to remain strong, led by healthy growth in segments like smart meters, cables & wires and switchgear segments. Moreover, recovery in lighting segment would also help in overall growth
- EBITDA margin of 15-16% in smart meters segment is sustainable for the coming period

Exhibit 1: Q1FY25 result snapshot (₹ crore)

	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)	Comments
Revenue from operations	392.9	320.7	22.5	424.1	-7.4	Revenue growth was largely led by strong growth in metering & systems segment
Other income	0.8	1.0	-17.0	1.7	-54.5	
Total Revenue	393.7	321.7	22.4	425.8	-7.5	
Raw materials costs	252.6	214.7	17.7	278.7	-9.4	
Employees Expenses	48.9	38.2	27.9	52.0	-6.0	
Other Expenses	35.3	27.8	27.0	38.1	-7.5	
Total Expenditure	336.8	280.7	20.0	368.9	-8.7	
EBITDA	56.1	40.0	40.2	55.2	1.6	
EBITDA margins (%)	14.3	12.5	180 bps	13.0	126 bps	Margins improved led by operational efficiencies and better realisations
Interest	23.8	21.5	10.4	24.0	-0.9	
Depreciation	10.1	8.7	16.9	11.6	-12.4	
Tax	6.0	3.8	55.6	7.7	-22.2	
PAT	17.0	6.9	145.4	13.7	24.1	

Source: Company, ICICI Direct Research

Exhibit 2: Segmental Break-up (₹ crore)

	Q1FY25	Q1FY24	YoY	Q4FY24	QoQ	Comments
Metering & Systems						
Revenue	238.7	176.0	35.6	255.8	-6.7	Execution remains strong in smart meters segment
EBIT	38.9	25.2	54.5	36.2	7.5	
EBIT Margin	16.3	14.3	199 bps	14.2	215 bps	Margins improved led by operational efficiencies and effective cost management
Consumer & Industrials						
Revenue	154.2	145.0	6.4	168.3	-8.4	Growth was primarily led by 13% growth in wires & cables and 19% growth in switchgear segments
EBIT	16.4	16.3	0.4	18.2	-10.0	
EBIT Margin	10.6	11.3	-63 bps	10.8	-19 bps	

Source: Company, ICICI Direct Research

Exhibit 3: Company's product portfolio

	Metering Solutions	Industrial Switchgears	Domestic Switchgears	Lighting Equipment	Wires and Cables	Fans
Product Portfolio	Smart Meter	Industrial Applications ACB, MCCB, Onload Changeover Switch, Automatic Transfer Switch	Domestic Applications Osafe MCB, Techno (N) MCB, RCCB, Phase Selector	Consumer LED Products Aries LED, LED Glow 9W	Fire Resistant Cables	Decorative Series
	Net Meter	Solar Applications DC Disconnect, String Combiner Box, Solar Cable, solar street light	Modular Switch & Accessories Toggle Switches, Plug Sockets, Push Bells	Commercial LED Products Mitered, CRCA Panel	Co-axial Cables	Table Fans
Prepaid Meter				Outdoor LED Products Street Light, LED Flood Light	Solar Cables	Exhaust Fan
Trivector Meter					Networking / Telecom Cables	
Sub-brands	emfis		SMART			
Customers	Power Utilities	Public & Private Enterprises	Residential & Commercial Users			

Source: Company, ICICI Direct Research

Exhibit 4: New product developments

Switchgear Range	ENTERO DB	Trade Lighting	Gloed deco cob aluminum downlighter 7w, 12W, 18W	Electric Wiring Accessories	Extension Cord	Wire & Cable
	GLOBUS DB		Apex cob aluminum surface cylinder 7W, 12W, 18W		Extension Cord with USB	
	RCBO (FP)		clara led downlighter 7w		Chrome plate	
	RCBO (DP)		Gloed cg-d cob aluminum downlighter 7w, 12W, 18W		Modular MCB	
	Crest-f led spot light 10W, 20W, 30W		Diamond led rope light 50 meter (120 LED/meter)		3 Pin Multi Plug (6A-16A)	
	crest led track light 10w, 20W, 30W					Halogen free flame retardant (HFFR) cable for working voltage up to and including 1100 Volts

Source: Company, ICICI Direct Research

Financial summary

Exhibit 5: Profit and loss statement

₹ crore

(₹ Crore)	FY22	FY23	FY24	FY25E	FY26E
Revenue	1,014	1,262	1,461	1,828	2,306
% Growth	15.9	24.5	15.7	25.1	26.2
Other income	4.2	3.6	4.2	4.2	4.5
Total Revenue	1,014	1,262	1,461	1,828	2,306
% Growth	15.3	24.5	15.7	25.1	26.2
Total Raw Material Costs	653	842	961	1,188	1,504
Employee Expenses	124	144	179	212	248
other expenses	112	120	129	163	203
Total Operating Expendit	889	1,105	1,269	1,563	1,955
Operating Profit (EBITDA)	125	157	192	265	351
% Growth	5.1	25.4	22.5	38.0	32.5
EBITDA Margin	12.3	12.4	13.2	14.5	15.2
Interest	68	75	90	101	126
PBDT	61	85	107	169	229
Depreciation	47	38	39	41	44
PBT before Exceptional lte	14	47	68	127	186
Total Tax	6	16	24	45	65
PAT before MI	8	30	44	83	121
PAT	8	30.2	44	83	121
% Growth	(22.1)	287.3	44.3	89.9	45.6
EPS	1.2	4.7	6.8	12.9	18.8

Source: Company, ICICI Direct Research

Exhibit 6: Cash flow statement

₹ crore

(₹ Crore)	FY22	FY23	FY24	FY25E	FY26E
Profit after Tax	8	30	44	83	121
Depreciation	47	38	39	41	44
Interest	68	75	90	101	126
Cash Flow before WC changes	123	144	172	225	291
Changes in inventory	(64)	21	(87)	(143)	(175)
Changes in debtors	8	(98)	(94)	(175)	(215)
Changes in loans & Advances	(0)	(0)	0	-	-
Changes in other current assets	4	(5)	(9)	(7)	(12)
Net Increase in Current Assets	(54)	(78)	(192)	(325)	(402)
Changes in creditors	39	1	75	76	100
Changes in provisions	(2)	1	1	(1)	-
Net Inc in Current Liabilities	33	(14)	111	45	104
Net CF from Operating activities	102	52	91	(55)	(7)
Changes in def tax assets	3	8	11	(11)	(1)
(Purchase)/Sale of Fixed Assets	(40)	(43)	(48)	(40)	(40)
Net CF from Investing activities	(43)	(18)	(29)	(53)	(42)
Dividend and Dividend Tax	(1)	(6)	(10)	(16)	(22)
Net CF from Financing Activities	(57)	(43)	(74)	71	32
Net Cash flow	2	(10)	(11)	(36)	(17)
Opening Cash/Cash Equivalent	79	80	70	59	23
Closing Cash/ Cash Equivalent	80	70	59	23	6

Source: Company, ICICI Direct Research

Exhibit 7: Balance sheet

₹ crore

(₹ Crore)	FY22	FY23	FY24	FY25E	FY26E
Equity Capital	64.3	64.3	64.3	64.3	64.3
Reserve and Surplus	700	729	764	829	928
Total Shareholders funds	764	794	828	893	992
Total Debt	565	598	623	813	993
Total Liabilities	1,353	1,430	1,492	1,747	2,026
Gross Block	594	644	691	731	771
Acc: Depreciation	156	194	233	274	318
Net Block	438	450	457	457	453
Capital WIP	10	9	10	10	10
Total Fixed Assets	454	459	468	467	463
Non Current Assets	48	39	22	35	37
Inventory	507	486	573	716	891
Debtors	505	603	697	871	1,087
Loans and Advances	1	1	1	1	1
Other Current Assets	25	30	39	46	58
Cash	80	70	59	23	6
Total Current Assets	1,135	1,203	1,384	1,672	2,058
Current Liabilities	229	230	305	381	480
Provisions	7	8	12	90	91
Total Current Liabilities	285	270	382	426	531
Net Current Assets	851	933	1,002	1,246	1,527
Total Assets	1,353	1,430	1,492	1,747	2,026

Source: Company, ICICI Direct Research

Exhibit 8: Key ratios

(Year-end March)	FY22	FY23	FY24	FY25E	FY26E
EPS	1.2	4.7	6.8	12.9	18.8
Cash per Share	12.5	10.9	9.2	3.5	0.9
BV	118.9	123.4	128.8	138.9	154.3
Dividend per share	0.1	1.0	1.6	2.5	3.4
Dividend payout ratio	0.1	0.2	0.2	0.2	0.2
EBITDA Margin	12.3	12.4	13.2	14.5	15.2
PAT Margin	0.8	2.4	3.0	4.5	5.2
RoE	1.0	3.8	5.3	9.3	12.2
RoCE	6.2	8.8	10.9	13.4	15.7
RoIC	6.2	9.0	11.0	13.3	15.5
EV / EBITDA	34.9	28.1	23.1	17.6	13.9
P/E	497.6	128.5	89.0	46.9	32.2
EV / Net Sales	4.3	3.5	3.0	2.6	2.1
Sales / Equity	1.3	1.6	1.8	2.0	2.3
Market Cap / Sales	3.8	3.1	2.7	2.1	1.7
Price to Book Value	5.1	4.9	4.7	4.3	3.9
Asset turnover	0.8	0.9	1.0	1.1	1.2
Debtors Turnover Ratio	2.0	2.3	2.2	2.3	2.4
Creditors Turnover Ratio	4.8	5.5	5.5	5.3	5.4
Debt / Equity	0.7	0.8	0.8	0.9	1.0
Current Ratio	3.7	4.3	3.5	4.0	4.0
Quick Ratio	1.9	2.4	2.0	2.2	2.2

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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