

CMP: ₹498

Target: ₹630 (26%)

Target Period: 12 months

BUY

August 21, 2025

Q1FY26 a blip, Story intact...

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 ~63% to total revenues as of FY25, while balance ~37% 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 12 million units.

Q1FY26 performance: HPL reported mixed set of Q1FY26 results. The revenues came in at ₹383 crore down 2.5% YoY. The key disappointment came in from the metering segment wherein the revenues were down 14.5% at ₹203 crore whereas consumer segment grew by 16.1% YoY at ₹179 crore. The decline in metering division was on account of lower execution and delay in dispatches in some large projects due to monsoons. The order book stands at ₹3000 crore mostly comprising smart meter orders. However, despite a muted growth in revenues, EBITDA margins expanded 80bps on YoY basis to 15.1%. From a segmental perspective, meters and consumer segment saw EBIT margin expansion of 130 bps YoY and 70 bps YoY respectively. Consequently, PAT came in at ₹18 crore up 8.5% YoY.

Investment Rationale

- Strong order backlog in smart meters segment with healthy pipeline; execution remains healthy:** Company's execution slowed in smart metering segment in Q1FY26 largely due to monsoon, however, we believe that execution is expected to pick-up further in the coming periods as monsoons ends. Company's order backlog stands at ₹3000+ crore (with execution timeline of 2-2.5 years), of which ~99% is contributed by smart meters. This implies 2.8x of FY25 metering revenues, providing strong revenue growth visibility in the segment. We believe that this segment will remain the key growth driver for HPL. There stands a huge order pipeline in the metering segment as large part of contracts awarded (~17 crore) to AMISPs are yet to be ordered out to meter manufacturers. Further 24% of sanctioned meters (22.5 crore) are yet to be awarded to AMISPs. We estimate Revenue and PAT CAGR of 19% and 31% respectively over FY25-FY27E.
- 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 (16% in Q1FY26) led by healthy demand, augmentation of product portfolio and expansion of dealers & retailers network. With focus remains on improving cost competitiveness, market reach and expansion of product portfolio, we believe company would see considerable growth in consumer & Industrial segment also with healthy growth in switchgear and wire & cables and recovery in lighting segment (aspires for Rs 1000 crore sales by FY28).

Rating and Target Price

- HPL is strongly positioned to witness healthy 19.1% and 31.4% revenue and PAT CAGR over FY25-FY27E led by robust opportunity arising in smart meters segment and strong recovery consumer & industrial segment.
- We maintain BUY on HPL Electric with a target price of ₹ 630 per share (based on 25x P/E to FY27E EPS)

Key Financial Summary

(Rs in crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	1,014	1,262	1,461	1,700	18.8	2,031	2,410	19.1
EBITDA	125	157	192	255	26.7	325	398	25.0
EBITDA margin (%)	12.3	12.4	13.2	15.0		16.0	16.5	
Net Profit	8	30	44	94	129.2	127	162	31.4
EPS (Rs)	1.2	4.7	6.8	14.6		19.8	25.3	
P/E (x)	411.9	106.4	73.7	34.2		25.2	19.8	
EV/EBITDA (x)	29.6	23.9	19.7	14.9		12.2	10.1	
RoCE (%)	6.2	8.8	10.9	14.0		15.8	17.1	
RoE (%)	1.0	3.8	5.3	10.3		12.5	13.9	

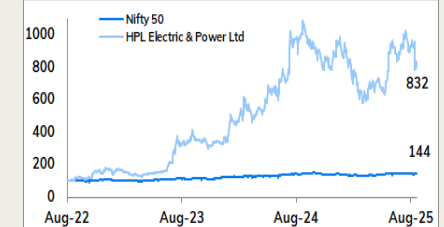
Source: Company, ICICI Direct Research

**Market Data**

Particular	Rs. in crore
Market Capitalization	3,287.0
FY25 Debt	633.1
FY25 Cash	61.3
Enterprise Value	3,858.8
52 week H/L (Rs./Share)	694/338
Equity capital	64.3
Face value (Rs./Share)	10.0

Shareholding pattern

%	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	72.7	72.7	72.7	72.7
FII	0.5	0.6	0.3	0.7
DII	0.2	0.2	0.3	0.3
Public	26.6	26.5	26.8	26.3

Price Chart**Key risks**

- Delay in execution, settlements, increasing interest cost
- Rise in input costs can impact margins and impact profitability.

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Key result and concall highlights

- The Order backlog stands at ₹3000+ crore as of August 2025 with smart meters comprising ~99% of these orders. This will be executed over the next 24-30 months
- During the quarter, metering & systems segment revenue declined by 14.5% YoY while consumer & industrial segment revenue increased by 16%.
- In consumer & industrials segment, wires and cables revenue grew 35% YoY during the quarter while domestic switchgear revenue witnessed a steady growth.
- The strong growth in cables and switchgears segments was driven by healthy demand, augmentation of product portfolio and expansion of dealers and retailers network
- EBIT margin of metering & systems segment improved to 17.67% in Q1FY26 (vs 16.37% in Q1FY25). For H1FY25, the segment's EBIT margin stands at 16.4% (vs 14.7% in H1FY24)
- In consumer & industrials segment, EBIT margin contracted to 10.3% in Q2FY25 (vs 11.9% in Q2FY24).
- Margins in consumer & industrial segment grew 70 bps YoY due to favourable commodity prices, efforts to reduce cost of materials and simultaneous focus on high margin products.
- In LED segment management continues to see stabilisation happening and expected to improve further in coming quarters.
- Company's focus remains on timely execution and cost competitiveness across segments
- EBIT margin of 15-16% is sustainable in metering segment going ahead
- In consumer & industrial segment, EBIT margin is likely to improve to 11.5-12% in the coming period
- Out of 22.5 crore smart meters sanctioned by the government, contract for ~17 crore meters have been awarded to AMISPs. However, out of these 17 crore meters, significant part is yet to be ordered out to smart meter manufacturers
- HPL has been supplying products related to 5G infrastructure and sees sizable potential in this segment
- In terms of guidance for remaining 9MFY26, management has not given specific guidance however it expects a very healthy growth in FY26E over last year. The company expects Q2FY26 see a strong uptick in smart metering revenues on a QoQ basis given July 2025 has seen strong offtake in the metering segment.
- Company's working capital reduced by 60 crore in last 12 months due to clearly defined payment terms with AMISP as compared to utilities earlier.

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue	1,461	1,700	2,031	2,410
% Growth	15.7	16.4	19.5	18.7
Other income	4.2	4.9	5.0	5.5
Total Revenue	1,461	1,700	2,031	2,410
% Growth	15.7	16.4	19.5	18.7
Total Raw Material Costs	961	1,105	1,320	1,567
Employee Expenses	179	199	223	250
other expenses	129	142	163	195
Total Operating Expenditure	1,269	1,446	1,706	2,012
Operating Profit (EBITDA)	192	255	325	398
% Growth	22.5	32.5	27.5	22.6
EBITDA Margin	13.2	15.0	16.0	16.5
Interest	90	90	102	122
PBDT	107	170	228	281
Depreciation	39	42	46	49
PBT before Exceptional Item:	68	128	182	232
Total Tax	24	34	55	70
PAT before MI	44	94	127	162
PAT	43.6	94	127	162
% Growth	44.3	115.4	35.6	27.4
EPS	6.8	14.6	19.8	25.3

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	44	94	127	162
Depreciation	39	42	46	49
Interest	90	90	102	122
Cash Flow before WC changes	172	226	275	334
Changes in inventory	(87)	(124)	(127)	(134)
Changes in debtors	(94)	(17)	(138)	(126)
Changes in loans & Advances	0	(1)	-	-
Changes in other current assets	(9)	(43)	15	(20)
Net Increase in Current Assets	(192)	(185)	(247)	(281)
Changes in creditors	75	125	71	94
Changes in provisions	1	1	(1)	1
Net Inc in Current Liabilities	111	134	43	100
Net CF from Operating activities	91	175	71	154
Changes in def tax assets	11	1	(13)	(1)
(Purchase)/Sale of Fixed Assets	(48)	(74)	(100)	(60)
Net CF from Investing activities	(29)	(85)	(114)	(61)
Dividend and Dividend Tax	(6)	(6)	(22)	(22)
Net CF from Financing Activities	(74)	(87)	19	(4)
Net Cash flow	(11)	2	(24)	88
Opening Cash/Cash Equivalent	70	59	61	37
Closing Cash/ Cash Equivalent	59	61	37	126

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	64.3	64.3	64.3	64.3
Reserve and Surplus	764	851	959	1,100
Total Shareholders funds	828	915	1,024	1,164
Total Debt	623	633	773	913
Total Liabilities	1,492	1,579	1,828	2,108
Gross Block	691	767	825	905
Acc: Depreciation	233	275	321	370
Net Block	457	492	504	534
Capital WIP	10	8	50	30
Total Fixed Assets	468	500	554	564
Non Current Assets	22	24	38	40
Inventory	573	697	824	958
Debtors	697	714	851	977
Loans and Advances	1	2	2	2
Other Current Assets	39	82	67	86
Cash	59	61	37	126
Total Current Assets	1,384	1,571	1,794	2,163
Current Liabilities	305	430	501	594
Provisions	12	#REF!	90	91
Total Current Liabilities	382	515	559	659
Net Current Assets	1,002	1,056	1,236	1,504
Total Assets	1,492	1,579	1,828	2,108

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
EPS	6.8	14.6	19.8	25.3
Cash per Share	9.2	9.5	5.8	19.5
BV	128.8	142.3	159.2	181.0
Dividend per share	1.0	1.0	3.4	3.4
Dividend payout ratio	0.1	0.1	0.2	0.1
EBITDA Margin	13.2	15.0	16.0	16.5
PAT Margin	3.0	5.5	6.3	6.7
RoE	5.3	10.3	12.5	13.9
RoCE	10.9	14.0	15.8	17.1
RoIC	11.0	14.3	15.9	17.9
EV / EBITDA	19.7	14.9	12.2	10.1
P/E	73.7	34.2	25.2	19.8
EV / Net Sales	2.6	2.2	1.9	1.7
Sales / Equity	1.8	1.9	2.0	2.1
Market Cap / Sales	2.2	1.9	1.6	1.3
Price to Book Value	3.9	3.5	3.1	2.8
Asset turnover	1.0	1.1	1.1	1.2
Debtors Turnover Ratio	2.2	2.4	2.6	2.6
Creditors Turnover Ratio	5.5	4.6	4.4	4.4
Debt / Equity	0.8	0.7	0.8	0.8
Current Ratio	3.5	3.0	3.3	3.2
Quick Ratio	2.0	1.6	1.7	1.7

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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