

CMP: ₹364

Target: ₹447 (23%)

Target Period: 12 months

BUY

February 10, 2026

## Smart metering scale-up phase ...

**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 ~56% to total revenues as of 9MFY26, while balance ~44% by consumer & industrials. Company has 7 manufacturing facilities (5 in Haryana & 2 in Himachal) and 2 R&D centres. In meters segment, company has an annual capacity of 11 million units.

**Q3FY26 performance:** HPL Electric & Power Limited reported a strong Q3FY26 consolidated performance, with revenue rising 21% YoY to ₹474 crore. EBITDA grew 28.8% YoY to ₹71.7 crore, with EBITDA margin expanding by 94 bps YoY to 15.1%, reflecting sustained operating leverage. PAT increased 8.5% YoY to ₹19.5 crore, despite some moderation in PBT and PAT margins. The Consumer & Industrial (C&I) segment grew 39% YoY, while the Metering & Systems business saw a 11% YoY in Q3FY26, indicating recovery in execution momentum post-monsoon.

## Investment Rationale

- Smart Metering-led Earnings Visibility with Execution Pickup:** HPL offers strong medium-term revenue visibility backed by a ₹3,100+ crore metering-led order book (99%+ from metering), positioning it well to benefit from India's large smart metering rollout. After a temporary slowdown, execution has picked up with metering revenue up 11% YoY and ~25% QoQ in Q3FY26, indicating normalization. With government-backed RDSS programs (Revamped Distribution Sector Scheme) and utilities accelerating AMI deployments, management expects a step-up in deliveries in Q4FY26 and beyond. This implies 2.8x of FY25 metering revenues, providing strong revenue growth visibility in the segment.
- Consumer & Industrial (C&I) Segment Driving Profitable Growth:** The C&I business has emerged as a key growth engine, delivering 39% YoY growth in Q3 FY26 and contributing ~39% of revenue. High-growth categories such as Wires & Cables (+58% YoY) and Switchgear (+33% YoY) are benefiting from infrastructure, real estate, and industrial capex. Importantly, C&I has a shorter ~3-month working capital cycle, supporting stronger cash flows and ROCE expansion. With ongoing distribution expansion (900+ dealers, 85,000+ retailers) and brand investments, C&I is likely to sustain double-digit growth and margin support.

## Rating and Target Price

- HPL is strongly positioned to witness healthy 13% and 11.6% revenue and PAT CAGR over FY25-FY28E led by robust opportunity arising in smart meters segment and strong growth in consumer & industrial segment.
- We maintain **BUY** on HPL Electric with a target price of **₹447 per share (based on 22x P/E to FY28E EPS)**

## Key Financial Summary

(Rs in crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	1,014	1,262	1,461	1,700	18.8	1,815	2,087	2,459	13.1
EBITDA	125	157	192	255	26.7	272	312	374	13.7
EBITDA margin (%)	12.3	12.4	13.2	15.0		15.0	15.0	15.2	
Net Profit	8	30	44	94	129.2	94	107	131	11.6
EPS (Rs.)	1.2	4.7	6.8	14.6		14.6	16.7	20.3	
P/E (x)	299.9	77.4	53.7	24.9		25.0	21.9	17.9	
EV/EBITDA (x)	22.6	18.3	15.1	11.4		11.0	9.7	8.5	
RoCE (%)	6.2	8.8	10.9	14.0		13.4	13.8	14.7	
RoE (%)	1.0	3.8	5.3	10.3		9.5	10.0	11.0	

Source: Company, ICICI Direct Research



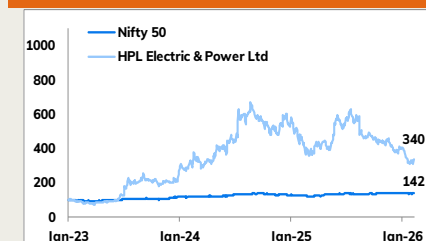
### Market Data

Particular	Rs. (in crore)
Market Capitalization	2,231.0
Total Debt (H1FY26)	736.6
Cash and Inv (H1FY26)	71.9
Enterprise Value	2,895.7
52 week H/L (Rs.)	640/308
Equity capital	64.3
Face value (Rs.)	10.0

### Shareholding pattern

%	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	72.7	72.7	72.7	72.7
FII	0.3	0.7	0.3	0.3
DII	0.3	0.3	0.2	0.1
Public	26.8	26.3	26.8	27.0

### Price Chart



### Key risks

- Delays in execution
- Volatility in raw material costs may impact margins.

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## Key result and concall highlights

- HPL reported 21% YoY growth in Q3FY26 revenue to ₹474 crore, taking 9MFY26 revenue to ₹1,291 crore (+6.9% YoY). Growth was driven by recovery in metering execution and sustained momentum in Consumer & Industrial (C&I), wires & cables, and switchgear segments.
- Segmental Trends: Metering, Systems & Services revenue grew 11% YoY in Q3FY26 with a sharp 25% QoQ recovery, indicating normalization of execution. C&I emerged as the key growth engine, rising 39% YoY and now contributing ~39% of revenue. Within C&I segment:
  - Wires & Cables: Segment grew 58% YoY in Q3FY26, with strong volume-led growth trend over the past 3 years; management expects momentum to sustain into Q4FY26.
  - Switchgear: Switchgear revenue reached ₹68.3 crore (+33% YoY) in Q3FY26 led by industrial and infrastructure demand.
  - Lighting revival: Lighting & Electronics grew ~20% YoY, indicating recovery from prior industry pricing pressure; focus on premium mix and channel expansion.
- Order Book & Smart Meter Opportunity: HPL maintains a strong smart metering pipeline of ₹3,100+ crore, with metering accounting for 99%+ of the order book. Management highlighted improving smart meter offtake and expects a further step-up in deliveries from November–March. The company benefits from India's large-scale smart metering rollout under RDSS, with a multi-year demand visibility.
- New Growth Vertical – Smart Water Metering: The launch of 'Neeram Pulse' smart water meters marks entry into digital water infrastructure. A dedicated facility in Gurugram for ultrasonic and multi-jet meters positions HPL early in this emerging space. Revenue contribution is expected to begin from H2FY27, post approvals and pilot deployments. Management views water metering as a natural extension of HPL's metering capabilities.
- Copper and silver inflation has impacted select C&I segments (wires, cables, switchgears), though costs are largely passed through with a short lag (2–12 weeks). Smart metering margins remain relatively insulated from metal price volatility.
- Unlike smart metering, the C&I business benefits from shorter cash cycles and quicker inventory churn, supporting higher RoCE and cash flow generation, which management highlighted as a key earnings quality driver.
- Company has streamlined warehousing from ~30 locations to 6 master warehouses, improving inventory turns, reducing logistics complexity and enabling faster fulfilment through the dealer network.
- Of the ~18 crore smart meters awarded at the AMISP level, management estimates ~6–8 crore meters are yet to be placed with OEMs, indicating meaningful order conversion potential over the next 12–18 months.
- Outlook: Management guides for a strong Q4FY26 led by smart meter execution, sustained C&I demand, and deeper market penetration.

## Financial Summary

Exhibit 1: Profit and loss statement					
	₹ crore				
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
<b>Revenue</b>	<b>1,461</b>	<b>1,700</b>	<b>1,815</b>	<b>2,087</b>	<b>2,459</b>
% Growth		16.4	6.8	15.0	17.9
Other income	4.2	4.9	5.0	5.5	5.5
Total Revenue	1,465	1,705	1,820	2,092	2,465
% Growth		16.4	6.7	14.9	17.8
Total Raw Material Costs	961	1,105	1,162	1,342	1,586
Employee Expenses	179	199	223	250	280
other expenses	129	142	159	182	219
Total Operating Expenditure	1,269	1,446	1,544	1,774	2,085
Operating Profit (EBITDA)	192	255	272	312	374
% Growth		32.5	6.7	15.0	19.7
<b>EBITDA Margin</b>	<b>13.2</b>	<b>15.0</b>	<b>15.0</b>	<b>15.0</b>	<b>15.2</b>
Interest	90	90	102	122	143
PBDT	107	170	175	196	237
Depreciation	39	42	41	43	50
PBT before Exceptional Items	68	128	134	153	187
Total Tax	24	34	40	46	56
PAT before MI	44	94	94	107	131
PAT	43.6	94	94	107	131
% Growth		115.4	(0.3)	14.3	22.0
<b>EPS</b>	<b>6.8</b>	<b>14.6</b>	<b>14.6</b>	<b>16.7</b>	<b>20.3</b>

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement					
	₹ crore				
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Profit after Tax	44	94	94	107	131
Depreciation	39	42	41	43	50
Interest	90	90	102	122	143
Cash Flow before WC changes	172	226	236	272	324
Changes in inventory	(87)	(124)	(39)	(93)	(148)
Changes in debtors	(94)	(17)	(47)	(85)	(151)
Changes in loans & Advances	0	(1)	-	-	-
Changes in other current assets	(9)	(43)	22	(15)	(21)
Net Increase in Current Assets	(192)	(185)	(62)	(194)	(320)
Changes in creditors	75	125	18	67	92
Changes in provisions	1	1	(1)	1	-
Net Inc in Current Liabilities	111	134	(13)	72	97
<b>Net CF from Operating activities</b>	<b>91</b>	<b>175</b>	<b>162</b>	<b>150</b>	<b>100</b>
Changes in def tax assets	11	1	(13)	(1)	-
(Purchase)/Sale of Fixed Assets	(48)	(74)	(100)	(60)	(60)
<b>Net CF from Investing activities</b>	<b>(29)</b>	<b>(85)</b>	<b>(114)</b>	<b>(61)</b>	<b>(60)</b>
Dividend and Dividend Tax	(6)	(6)	(22)	(22)	(22)
<b>Net CF from Financing Activities</b>	<b>(74)</b>	<b>(87)</b>	<b>19</b>	<b>(4)</b>	<b>(24)</b>
Net Cash flow	(11)	2	67	85	15
Opening Cash/Cash Equivalent	70	59	61	128	213
<b>Closing Cash/ Cash Equivalent</b>	<b>59</b>	<b>61</b>	<b>128</b>	<b>213</b>	<b>228</b>

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet					
	₹ crore				
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Equity Capital	64.3	64.3	64.3	64.3	64.3
Reserve and Surplus	764	851	925	1,011	1,119
Total Shareholders funds	828	915	990	1,075	1,184
Total Debt	623	633	773	913	1,053
<b>Total Liabilities</b>	<b>1,492</b>	<b>1,579</b>	<b>1,794</b>	<b>2,019</b>	<b>2,268</b>
Gross Block	691	767	825	905	965
Acc: Depreciation	233	275	316	359	409
Net Block	457	492	509	546	556
Capital WIP	10	8	50	30	30
Total Fixed Assets	468	500	559	576	586
Non Current Assets	22	24	38	39	39
Inventory	573	697	736	829	977
Debtors	697	714	761	846	997
Loans and Advances	1	2	2	2	2
Other Current Assets	39	82	59	75	96
Cash	59	61	128	213	228
Total Current Assets	1,384	1,571	1,700	1,979	2,315
Current Liabilities	305	430	448	515	606
Provisions	12	#REF!	90	91	91
Total Current Liabilities	382	515	503	575	672
Net Current Assets	1,002	1,056	1,197	1,404	1,643
<b>Total Assets</b>	<b>1,492</b>	<b>1,579</b>	<b>1,794</b>	<b>2,019</b>	<b>2,268</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios					
(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
EPS	6.8	14.6	14.6	16.7	20.3
Cash per Share	9.2	9.5	19.9	33.1	35.5
BV	128.8	142.3	153.9	167.2	184.1
Dividend per share	1.0	1.0	3.4	3.4	3.4
Dividend payout ratio	0.1	0.1	0.2	0.2	0.2
EBITDA Margin	13.2	15.0	15.0	15.0	15.2
PAT Margin	3.0	5.5	5.2	5.1	5.3
RoE	5.3	10.3	9.5	10.0	11.0
RoCE	10.9	14.0	13.4	13.8	14.7
RoIC	11.0	14.3	14.1	15.2	16.1
EV / EBITDA	15.1	11.4	11.0	9.7	8.5
P/E	53.7	24.9	25.0	21.9	17.9
EV / Net Sales	2.0	1.7	1.6	1.5	1.3
Sales / Equity	1.8	1.9	1.8	1.9	2.1
Market Cap / Sales	1.6	1.4	1.3	1.1	1.0
Price to Book Value	2.8	2.6	2.4	2.2	2.0
Asset turnover	1.0	1.1	1.0	1.0	1.1
Debtors Turnover Ratio	2.2	2.4	2.5	2.6	2.7
Creditors Turnover Ratio	5.5	4.6	4.1	4.3	4.4
Debt / Equity	0.8	0.7	0.8	0.8	0.9
Current Ratio	3.5	3.0	3.2	3.2	3.2
Quick Ratio	2.0	1.6	1.7	1.7	1.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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