

China Power Equipment

Global Markets Research
27 May 2026

EQUITY: Electrical Equipment

Riding the global power equipment “supercycle”

China supply chain players poised to capture overseas demand spillover

Multiple drivers point to a long-term upcycle in global power equipment

We are optimistic that global power equipment demand is entering a long-term upcycle, underpinned by three core drivers: (1) AI data center buildout driving up power loads: Grid Strategies forecasts US power load to grow 3.7% annually over 2025-30 (vs. 2.8% in 2024), and incremental summer peak demand to reach 166GW, further revised up from the 120GW forecast in Apr 2025, with data centers accounting for 55% of the total (90GW); (2) EV penetration and renewable installations spurring demand for new power systems: We expect China's average annual grid investment to reach CNY1tn during the 15th Five-Year Plan period (2026-30), with extensive grid expansion, UHV (ultra-high voltage) rollouts, and distribution network upgrades; (3) Overseas grid modernization generating incremental demand for power equipment: According to Wood Mackenzie, demand for various types of power equipment in the US increased significantly in 2019-2025, with multiple products facing domestic supply shortages in the US. We believe these drivers are highly sustainable and will support a long-term upcycle in global power equipment demand, creating long-term investment opportunities across the relevant supply chain.

Three investment themes: China players to benefit from overseas demand spillover

Amid robust global power demand and potentially escalating trade friction risks, we believe core China supply-chain companies are well placed to capture overseas demand spillover. We highlight three investment themes:

- **AI data center buildout supports power architecture upgrades.** As global tech leaders have clearly guided for higher AI server rack power, we expect power architecture upgrades to emerge as a major growth driver for data-center power equipment. New products such as HVDC power modules and solid-state transformers, supported by customer adoption, should become key revenue/earnings drivers for related industry participants, in our view. We initiate coverage on Jinpan Smart Technology (688676 CH) with Buy, given its leadership in modular power equipment and solid-state transformers, and its strong exposure to AI data-center buildout.
- **AI baseload power demand creates overseas opportunities for gas turbine components.** The US is leading the current AI data-center investment cycle. Given AI data centers' need for stable power and fast connection, we expect demand for gas-fired power equipment, especially gas turbines, to stay strong. As Chinese suppliers still lag in complete gas-turbine systems, we prefer component makers with early customer access, certification and long delivery track records. We initiate coverage on Himile (002595 CH) with Buy.
- **Grid upgrades and UHV construction drive incremental demand for insulators.** China's new power-system buildout and UHV project commissioning should continue to support insulator demand, in our view. Overseas grid upgrades in Europe and the US should also lift composite-insulator penetration. We initiate coverage on Shemar Electric (603530 CH) with Buy, given its leading position in composite insulators and its exposure to domestic and overseas grid investment.

Fig. 1: China Power Equipment Sector – Stocks for action

Company	Ticker	Rating	Mkt cap (USDmn)	3M avg TO (USDmn)	Price (CNY)	Target price (CNY)	Upside (%)
Jinpan Smart Technology	688676 CH	Buy	6,469.08	211.71	96.08	121.55	26.5%
Himile Technology	002595 CH	Buy	9,198.40	58.30	54.15	68.04	25.7%
Shemar Electric	603530 CH	Buy	3,581.78	65.59	56.66	84.32	48.8%

Note: Priced as of 26 May 2026.
Source: Wind, Nomura estimates

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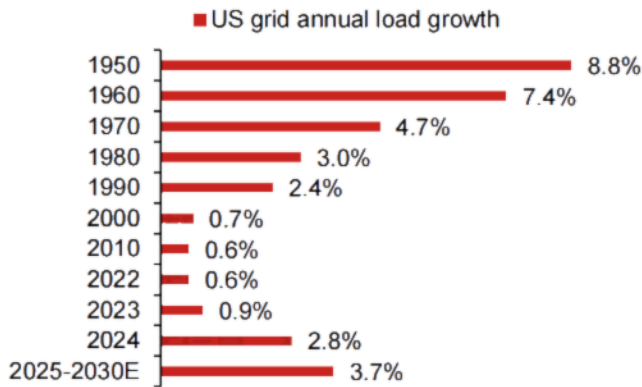
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Focus charts

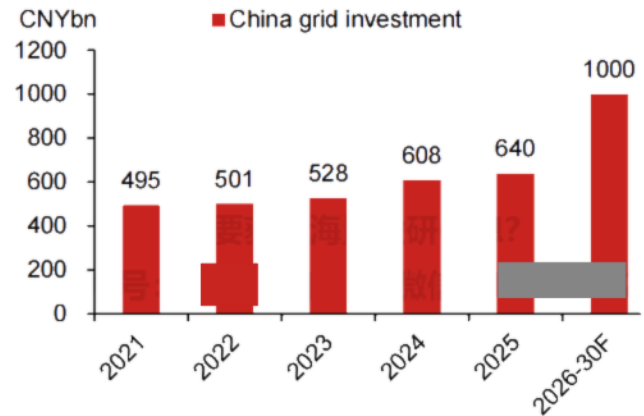
Fig. 2: US grid load growth is likely to accelerate



Note: 2025-30 data are based on Grid Strategies forecasts.

Sources: Grid Strategies, Strategic Industries Surging (Apr 2025); Grid Strategies, Power Demand Forecasts Revised Up for Third Year Running, Led by Data Centers (Nov 2025); Nomura

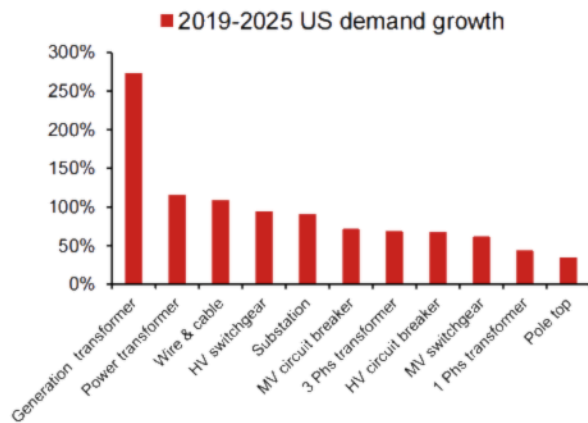
Fig. 3: We expect a notable increase in China's grid investment during the 15th Five-Year Plan period



Note: 2026-30 data are based on the investment plans of State Grid and China Southern Power Grid, using annual averages.

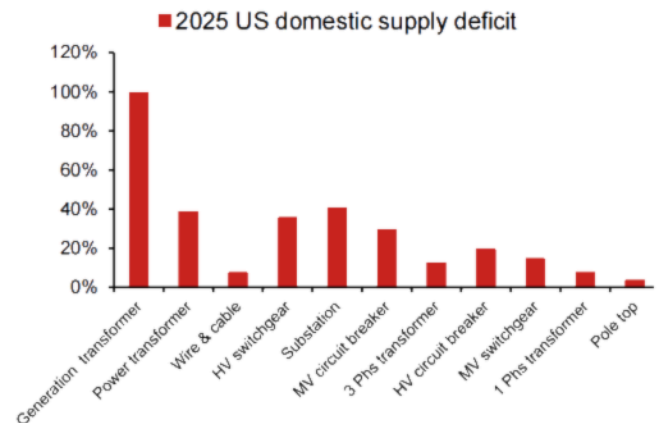
Sources: Wind, Xinhuanet, Chinapower, Nomura estimates

Fig. 4: US demand for power equipment increased meaningfully over 2019-25



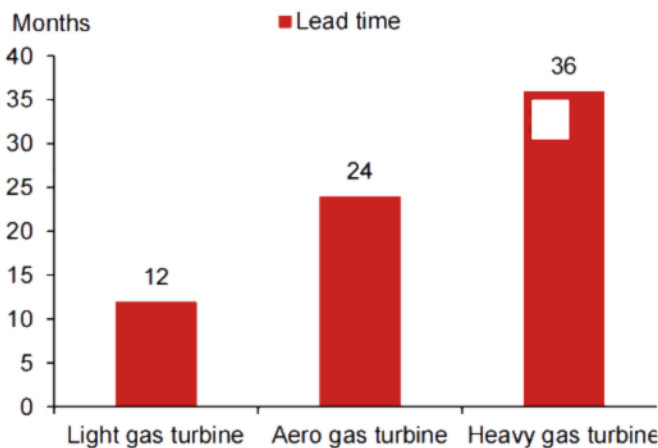
Source: Wood Mackenzie, Nomura

Fig. 5: The US domestic market faces shortages across multiple types of power equipment



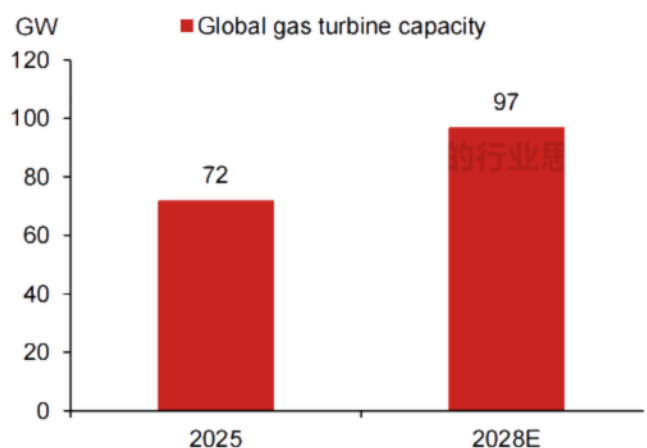
Source: Wood Mackenzie, Nomura

Fig. 6: Global gas turbine capacity is still expanding, but near-term delivery bottlenecks are unlikely to ease quickly



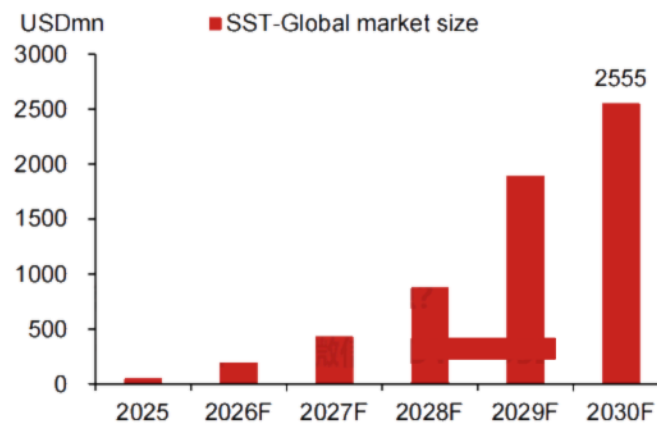
Source: Rystad Energy, Gas Turbine Report forecasts (Oct 2025); Nomura

Fig. 7: Global gas turbine capacity is still expanding, but near-term delivery bottlenecks are unlikely to ease quickly



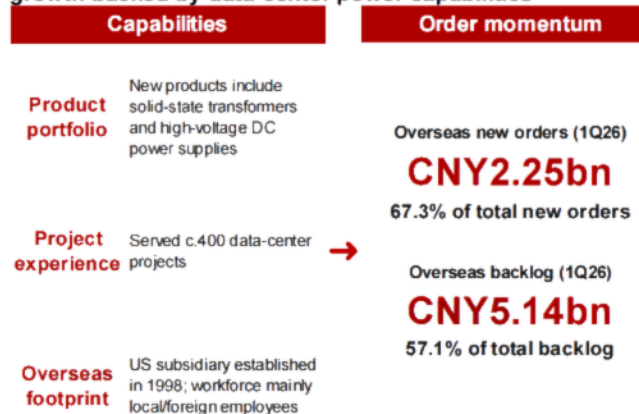
Source: Rystad Energy, Gas Turbine Report (Oct 2025); Nomura

Fig. 8: AI power demand should drive rapid expansion of the global solid-state transformer market



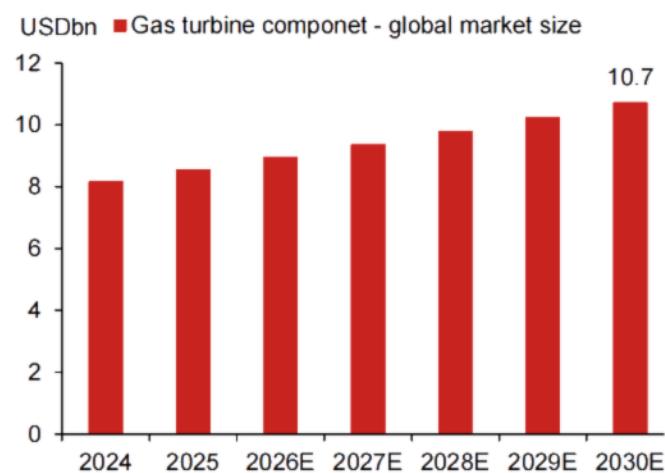
Source: RAND, AI's Power Requirements Under Exponential Growth: Trade Map; Nomura estimates

Fig. 9: Jinpan Smart Technology – Strong overseas order growth backed by data-center power capabilities



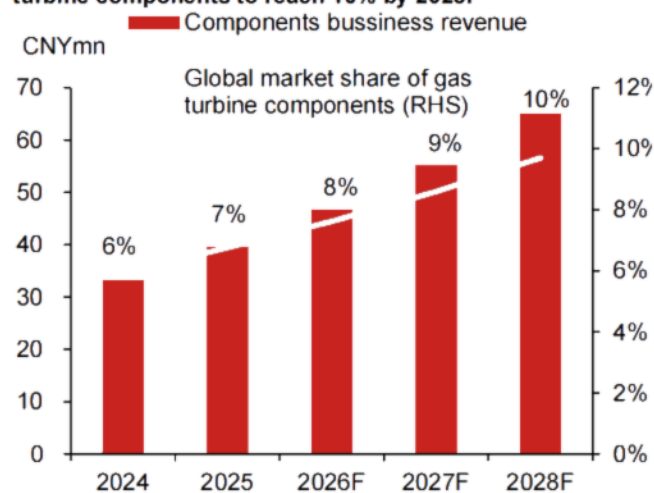
Source: Jinpan IR meeting minutes (announcement No. 20260513); Nomura

Fig. 10: AI baseload power demand is driving the global gas turbine component market towards USD10bn



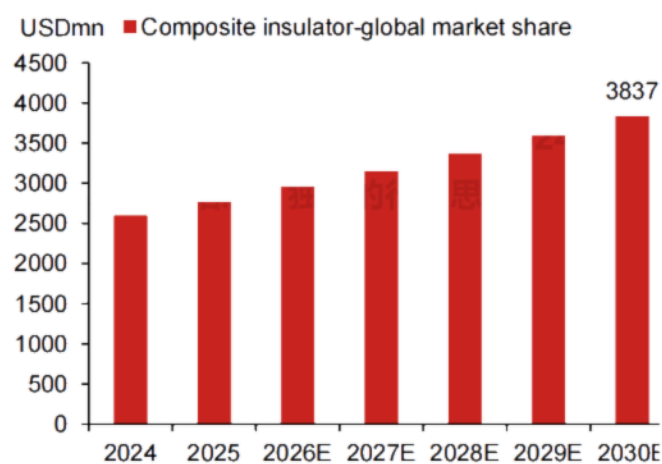
Source: Global Market Insights forecasts, Nomura

Fig. 11: Himile - We forecast its global share in gas turbine components to reach 10% by 2028F



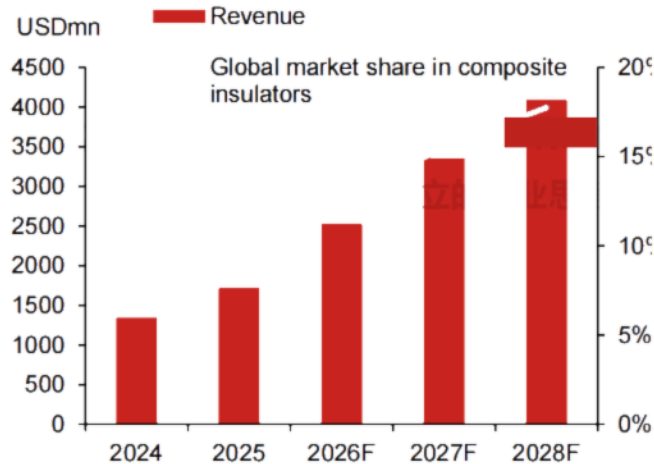
Source: Global Market Insights, Wind, Himile 2024-25 annual reports, Nomura estimates

Fig. 12: Grid upgrading is likely to lift the global composite insulator market above USD3.8bn by 2030



Source: Global Market Insights forecasts, Nomura

Fig. 13: Shemar Electric - We forecast its global share in composite insulators to reach 18% by 2028F



Source: Global Market Insights, Wind, Shemar 2024-25 annual reports, Nomura estimates

Investment highlights

Global power equipment upcycle is gaining momentum

We believe global power equipment is entering a long-cycle upturn, supported by rising electricity demand across key markets:

- US: AI data centers are a key driver behind upward revisions to load forecasts.**
 According to Grid Strategies, US power load grew 2.8% in 2024, vs. less than 1% growth in 2022-23, and is expected to grow 3.7% over 2025-30. US summer peak load demand is forecast to increase by 166GW over 2025-30, up from the 120GW forecast in Apr 2025, with data centers contributing 90GW, or 55% of the increase.
- Europe: EV adoption and renewable installations should support a better power-demand outlook, in our view.**
 We believe Europe's power demand should improve as EV penetration rises and renewable capacity additions continue. McKinsey expects power demand in major European countries such as Germany, France and the UK to return to growth over 2023-30, with incremental demand of 294-461TWh, mainly from data centers (70-91TWh), green hydrogen (79-101TWh) and transport electrification (70-128TWh).
- Middle East: Clean-energy transition and economic growth should underpin demand growth, in our view.**
 We believe the Middle East's power demand growth will be supported by clean-energy transition and continued economic development. Ember data show that power demand in the Middle East grew at a 5% CAGR over 2000-24. Siemens expects incremental power demand in the region to reach 184GW over 2016-35, with gas and solar PV contributing 100GW and 62GW, respectively.
- China: Power demand should remain robust, in our view**
 We believe China's power demand will continue to grow strongly, driven by economic growth, higher NEV penetration and the buildout of power-intensive AI industries. According to Ember, China's power demand grew at a 9% CAGR over 2000-24. In our view, the rapid increase in renewable installations on the generation side has already created visible grid integration pressure. Grid investment is therefore likely to grow faster than generation-side investment in 2025-27, in line with China's new power-system development targets, according to our estimates.

Chinese companies well positioned to capture overseas demand spillover

We believe leading Chinese power equipment suppliers are well positioned to benefit from overseas demand spillover, but the opportunity will vary by application and product category. We see three key demand drivers: 1) AI data center power architecture upgrades; 2) rising demand for gas turbine components as AI data centers require reliable baseload power; and 3) growth in grid equipment demand, including insulators, driven by grid upgrades and UHV construction. In stock selection, we focus on companies with strong product iteration capabilities, established access to overseas customers, certification experience, and proven global delivery capabilities.

- AI data center buildout supports power architecture upgrades:** As AI data center construction accelerates, power systems are evolving toward 800V high-voltage DC architecture, driving rapid demand growth for new products such as solid-state transformers. We expect the global solid-state transformer market to exceed USD2.5bn by 2030. In our view, companies with data center project experience, sustained R&D capabilities, commercialization progress in solid-state transformers and high-voltage DC power products, and an established overseas customer base are more likely to win early orders during the initial adoption phase. We are positive on Jinpan Smart Technology's product portfolio and project track record in modular power equipment, solid-state transformers and high-voltage DC power products. We believe the company is well positioned to benefit from power equipment upgrades driven by AI data center construction.

- **AI baseload power demand creates overseas opportunities for gas turbine components:** AI data centers require stable power supply, fast grid connection and continuous operation. We believe AI data center construction in the US will support demand for gas turbines and related components. Given Chinese companies are still catching up in complete gas turbine systems, we prefer component suppliers that have already entered the supply chains of leading overseas customers and have product certification and long-term delivery experience. We expect Himile to leverage its customer resources and manufacturing capabilities in large components to capture demand spillover from the overseas gas turbine supply chain, driving its global market share in gas turbine components from 6% in 2024 to 10% in 2028F.
- **Grid upgrades and UHV construction drive incremental demand for insulators:** We believe China's new power system buildout, UHV project commissioning, and aging grid upgrades in Europe and the US should jointly drive demand for grid equipment, including insulators. In equipment segments where technology evolves relatively slowly but customer certification and product reliability requirements are high, Chinese companies with competitive products, established customer relationships and global delivery capabilities are better positioned to gain share, in our view. We are positive on Shemar Electric, given its strengths in composite insulators. We expect the company to benefit from domestic UHV construction and overseas grid modernization, driving its global market share in composite insulators from 8% in 2024 to 18% in 2028F.

Stocks for action

Jinpan Smart Technology (688676 CH, Buy): Data-center revenue surged in 2025; emerging product pipeline continues to advance

Jinpan's 2025 annual report points to strong momentum in data centers and continued progress in new products. Data-center revenue rose 197% y-y in 2025, as the company successfully entered the global data-center supply chain. It secured CNY8.83bn in new sales orders (excluding tax), and added 754 new customers during the year. Backlog reached CNY7.21bn by end-2025, up 10.7% y-y, providing support for future revenue growth. On new products, Jinpan has completed the design and production of its solid-state transformer prototype, with product iteration still underway. The company has also launched self-developed HVDC products for use in its AI-enabled smart factory. In addition, its self-manufactured large-capacity transformer has been put into operation, while its 345kV extra-high-voltage large power transformer has been delivered overseas. We believe global AI data-center construction will drive incremental demand for Jinpan's power transmission and distribution equipment and energy storage solutions, supporting its medium-term growth outlook.

Himile (002595 CH, Buy): Global tire mold leader with multiple growth engines

We expect Himile's three core businesses to sustain solid growth: 1) its CNC machine tool business offers meaningful growth potential. The company continues to develop mid- to high-end machine tools and has made external sales a clear strategic priority. As product competitiveness improves, we believe Himile is well positioned to benefit from domestic substitution in machine tools and deliver faster revenue growth. 2) recovering downstream demand should support a rebound in the large components business, whose end-markets mainly include wind power and gas turbines, in our view. We expect the business to benefit from improving wind power demand and a recovery in wind turbine pricing. Meanwhile, Himile's gas turbine business already serves leading domestic and overseas customers. We believe incremental AI-related power demand could flow through generation-side capex into stronger demand for gas turbines and related components. 3) the tire mold business is shifting toward a more global and platform-based model. We expect Himile to continue gaining global share as Chinese tire manufacturers expand overseas.

Shemar Electric (603530 CH, Buy): Composite insulator leader positioned to benefit from domestic UHV projects and overseas grid upgrades

As a global leader in composite insulators, Shemar offers exposure to three key demand drivers: 1) global power demand is entering a new upcycle, which should support demand for the company's core composite insulator products. 2) in China, the State Grid website indicates that 15 UHV DC projects are planned for commissioning during the 15th Five-Year Plan period from 2026 to 2030. We believe this should drive demand for Shemar's related products. 3) in overseas markets, we expect grid capex in the US and Europe to remain on a relatively fast growth track in 2025-27, supported by AI data-center construction, rising EV penetration and the power system clean-energy transition. This should create a favorable backdrop for Shemar's product exports and overseas expansion.

Fig. 14: China power equipment sector – Valuation comparables

Sub-sector	Ticker	Company name	Rating	Target price (LC)	Price (LC)	Mkt cap (USDmn)	PE (x)			EPS CAGR 2026-28F	ROE (%)		
							2026F	2027F	2028F		2026F	2027F	2028F
AI power	688676 CH	Jinpan Smart Technology	Buy	121.55	96.08	6,469.08	43.4	33.2	24.5	40%	17.6	20.6	24.3
	002028 CH	Sieyuan Electric	Buy	273.00	194.10	22,240.18	35.5	27.1	20.0	34%	22.4	23.7	25.3
	002922 CH	Eaglene Electric	Not Rated	-	44.19	2,734.59	38.8	25.6	17.0	73%	12.0	16.5	21.4
	002364 CH	Zhongheng Electric	Not Rated	-	53.70	4,431.74	114.6	71.2	50.9	69%	9.8	14.0	17.8
	601126 CH	Sifang Automation	Not Rated	-	76.00	9,271.91	64.3	55.0	45.1	19%	18.8	20.3	22.1
Average							63.3	44.7	33.3	49%	15.8	18.6	21.7
Median							51.5	41.0	32.5	51%	15.4	18.4	21.7
Gas turbine components	002595 CH	Himile	Buy	68.04	54.15	9,198.40	21.5	17.5	14.2	8%	21.0	22.0	23.0
	605060 CH	Allied Machinery	Not Rated	-	53.90	1,899.00	39.3	29.7	22.1	37%	12.4	14.9	17.0
	601882 CH	Haitian Precision	Not Rated	-	23.26	1,778.02	23.8	20.5	17.9	17%	15.5	15.7	15.8
	688305 CH	Kede Numerical Control	Not Rated	-	68.10	1,325.41	66.4	52.4	43.4	33%	6.8	8.1	9.1
Average							43.2	34.2	27.8	29%	11.6	12.9	14.0
Median							39.3	29.7	22.1	33%	12.4	14.9	15.8
Composite insulators	603530 CH	Shemar Electric	Buy	84.32	56.66	3,581.78	41.61	30.51	24.69	32%	27.79	31.87	32.90
	002028 CH	Sieyuan Electric	Buy	273.0	194.10	22,240.18	35.5	27.1	20.0	34%	22.4	23.7	25.3
	688676 CH	Jinpan Smart Technology	Buy	121.6	96.08	6,469.08	44.9	34.3	25.3	40%	17.7	20.6	24.4
	002270 CH	Huaming Power Equipment	Not Rated	-	23.26	3,052.69	24.7	20.4	16.1	22%	24.2	26.3	28.6
	600312 CH	Pinggao Electric	Not Rated	-	21.00	4,172.82	20.1	16.6	14.3	21%	11.8	12.9	13.2
	601179 CH	China XD Electric	Not Rated	-	16.18	12,145.15	53.3	43.3	36.6	21%	6.5	7.5	8.3
Average							35.7	28.3	22.5	28%	16.5	18.2	20.0
Median							35.5	20.4	16.1	21%	11.8	12.9	13.2

Note: Priced as of 26 May 2026; Nomura estimates for rated stocks and Wind consensus for not rated stocks.

Source: Wind, Nomura estimates

Jinpan Smart Technology 688676.SH 688676 CH

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EQUITY: Electrical Equipment

AI data center demand to extend growth runway

Initiate at Buy with a TP of CNY121.55, implying 26.5% upside

Power equipment exports entering an opportunity cycle; 1Q orders accelerated

Jinpan has long focused on transformers, integrated electrical equipment and energy storage products, while actively expanding overseas. With the global power equipment market likely to remain tight through 2026, we see scope for Jinpan to capture incremental overseas demand as customers diversify supply chains and turn to Chinese alternatives. According to the company's IR meeting minutes, new orders reached CNY3.34bn in 1Q26, up 64.5% y-y. Jinpan has production bases in China and overseas markets including Malaysia, supporting delivery capability and supply chain resilience. We believe its global manufacturing footprint positions it well to benefit from robust global power equipment demand, supporting sustained revenue and profit growth. We forecast 2026-28F revenue/net profit CAGRs of 27%/40%.

Global AI data center buildout brings a new growth driver

Jinpan has made visible progress in AI data center-related products in recent years. According to its 2025 annual report, revenue from the data center segment reached CNY1.34bn in 2025, up 196.8% y-y, becoming an important growth driver. In 2026, we expect continued product launches in AI data center power transmission and distribution to strengthen its competitive position. According to the company's IR meeting minutes, its R&D priorities include: 1) AI data center segment, with ongoing upgrades to core solid-state transformer technology; 2) transformers and power transmission/distribution, with multiple high-capacity transformer products under development; and 3) energy storage, with planned R&D and rollout of products including 13MW dry-type transformers for energy storage applications. We like Jinpan's early positioning in AI data center-related products, and forecast 2026-28F revenue CAGRs of 25%/45%/40% for transmission and distribution equipment/energy storage/digital solutions.

Initiate at Buy with a TP of CNY121.55, implying 26.5% upside

We believe the AI data center buildout cycle will remain a key driver of the company's core business growth, and forecast revenue and net profit CAGRs of 27% and 40% in 2026-28F, respectively. We value the company at 55x 2026F P/E, a discount to the 63x peer average to reflect our expectation that its earnings growth will lag the peer average. Based on 2026F EPS of CNY2.21, we derive our TP of CNY121.55, implying 26.5% upside; initiate at Buy. The stock trades at 43.4x 2026F P/E and has underperformed the CSI 300 by 0.1pp over the past month as of 26 May, which we attribute to fund outflows from related sectors amid a lack of catalysts for power equipment exports and solid-state transformer progress. **Key catalysts** include stronger-than-expected AI data center-related orders and greater-than-expected benefits from China's "anti-involution" efforts in energy storage. **Key downside risks** include weaker orders, slower overseas expansion and slower progress than expected in emerging businesses.

Year-end 31 Dec	FY25		FY26F		FY27F		FY28F	
Currency (CNY)	Actual	Old	New	Old	New	Old	New	
Revenue (mn)	7,295		9,245		11,743		14,952	
Reported net profit (mn)	660		1,018		1,332		1,806	
Normalised net profit (mn)	610		968		1,332		1,806	
FD normalised EPS	1.33		2.10		2.90		3.93	
FD norm. EPS growth (%)	10.6		58.7		37.7		35.6	
FD normalised P/E (x)	72.5		45.7		33.2		24.5	
EV/EBITDA (x)	42.5		31.3		25.1		19.4	
Price/book (x)	7.9		7.7		6.8		6.0	
Dividend yield (%)	0.7		1.1		1.4		1.9	
ROE (%)	12.6		17.6		20.6		24.3	
Net debt/equity (%)	net cash		net cash		net cash		net cash	

Source: Wind, company data, Nomura estimates

Rating Starts at **Buy**

Target price Starts at **CNY 121.55**

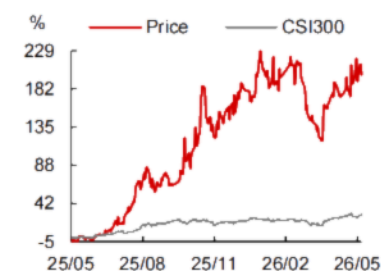
Closing price 26 May 2026 **CNY 96.08**

Implied upside **+26.5%**

Market Cap (USD mn) 6,469.1

ADT (USD mn) 210.6

Relative performance chart



Source: Gildata

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Key data on Jinpan Smart Technology

Performance

(%)	1M	3M	12M		
Absolute (CNY)	3.6	-7.5	197.4	M cap (USDmn)	6,469.1
Absolute (USD)	4.2	-6.2	212.8	Free float (%)	51.9
Rel to CSI 300	-0.1	-12.2	169.2	3-mth ADT (USDmn)	210.6

Source: Gildata

Income statement (CNYmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	6,901	7,295	9,245	11,743	14,952
Cost of goods sold	-5,223	-5,409	-6,770	-8,576	-10,834
Gross profit	1,678	1,886	2,475	3,167	4,118
SG&A	-1,007	-1,101	-1,348	-1,732	-2,205
Employee share expense					
Operating profit	618	718	1,105	1,449	1,965
EBITDA	955	995	1,431	1,797	2,340
Depreciation	-230	-246	-277	-301	-324
Amortisation					
EBIT	725	749	1,154	1,496	2,016
Net interest expense	-28	-59	-47	-45	-48
Associates & JCEs	0	0	0	0	0
Other income	-26	-3	26	61	103
Earnings before tax	617	723	1,107	1,451	1,968
Income tax	-46	-69	-97	-128	-175
Net profit after tax	571	654	1,010	1,324	1,793
Minority interests	4	5	7	10	14
Other items	0	0	0	-2	-1
Preferred dividends					
Normalised NPAT	551	610	968	1,332	1,806
Extraordinary items	23	50	50	0	0
Reported NPAT	574	660	1,018	1,332	1,806
Dividends	-231	-312	-482	-630	-855
Transfer to reserves	344	347	536	702	951

Valuations and ratios

Reported P/E (x)	33.0	63.0	43.4	33.2	24.5
Normalised P/E (x)	34.4	68.1	45.7	33.2	24.5
FD normalised P/E (x)	80.2	72.5	45.7	33.2	24.5
Dividend yield (%)	0.5	0.7	1.1	1.4	1.9
Price/cashflow (x)	-	73.5	49.2	67.3	44.8
Price/book (x)	4.3	7.9	7.7	6.8	6.0
EV/EBITDA (x)	20.8	42.5	31.3	25.1	19.4
EV/EBIT (x)	62.3	59.9	38.8	30.2	22.5
Gross margin (%)	24.3	25.9	26.8	27.0	27.5
EBITDA margin (%)	13.8	13.6	15.5	15.3	15.6
EBIT margin (%)	10.5	10.3	12.5	12.7	13.5
Net margin (%)	8.3	9.0	11.0	11.3	12.1
Effective tax rate (%)	7.5	9.5	8.8	8.8	8.9
Dividend payout (%)	40.1	47.3	47.3	47.3	47.3
ROE (%)	12.9	12.6	17.6	20.6	24.3
ROA (pretax %)	8.0	6.8	8.8	10.1	11.9

Growth (%)

Revenue	3.5	5.7	26.7	27.0	27.3
EBITDA	25.3	4.2	43.8	25.6	30.2
Normalised EPS	7.0	10.0	58.7	37.7	35.6
Normalised FDEPS	14.6	10.6	58.7	37.7	35.6

Source: Wind, company data, Nomura estimates

Cashflow statement (CNYmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
EBITDA	955	995	1,431	1,797	2,340
Change in working capital	-983	-419	-547	-1,133	-1,293
Other operating cashflow	-9	25	14	-7	-61
Cashflow from operations	-37	601	899	657	986
Capital expenditure	-433	-380	-272	-286	-279
Free cashflow	-470	221	627	371	706
Reduction in investments	-11	-11	0	0	0
Net acquisitions	0	0	0	0	0
Dec in other LT assets	0	0	0	0	0
Inc in other LT liabilities	0	0	0	0	0
Adjustments	6	5	39	16	20
CF after investing acts	-475	214	666	386	726
Cash dividends	-231	-312	-482	-630	-855
Equity issue	30	1,683	0	0	0
Debt issue	561	612	84	0	0
Convertible debt issue					
Others	-118	61	-75	-78	-78
CF from financial acts	243	2,044	-473	-708	-932
Net cashflow	-220	2,260	182	-322	-206
Beginning cash	735	515	2,776	2,957	2,635
Ending cash	515	2,776	2,957	2,635	2,429
Ending net debt	507	-1,364	-1,546	-1,224	-1,017

Balance sheet (CNYmn)

As at 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & equivalents	515	2,776	2,957	2,635	2,429
Marketable securities	45	63	63	63	63
Accounts receivable	3,080	2,878	3,830	4,761	5,987
Inventories	2,119	2,590	2,899	3,762	4,764
Other current assets	1,270	1,208	1,358	1,713	2,077
Total current assets	7,029	9,515	11,108	12,935	15,320
LT investments	133	300	300	300	300
Fixed assets	1,967	2,061	2,085	2,100	2,085
Goodwill	0	0	0	0	0
Other intangible assets	263	259	248	237	226
Other LT assets	224	256	212	195	178
Total assets	9,616	12,391	13,954	15,767	18,109
Short-term debt	168	492	492	492	492
Accounts payable	2,504	2,471	3,151	3,987	5,024
Other current liabilities	1,388	1,556	1,925	2,209	2,577
Total current liabilities	4,061	4,518	5,567	6,688	8,092
Long-term debt	854	920	920	920	920
Convertible debt					
Other LT liabilities	255	1,732	1,727	1,727	1,727
Total liabilities	5,169	7,170	8,215	9,335	10,739
Minority interest	-3	-10	-17	-25	-38
Preferred stock					
Common stock	457	460	460	460	460
Retained earnings	1,953	2,382	2,907	3,608	4,559
Proposed dividends					
Other equity and reserves	2,039	2,388	2,390	2,390	2,390
Total shareholders' equity	4,447	5,221	5,739	6,432	7,370
Total equity & liabilities	9,616	12,391	13,954	15,767	18,109

Liquidity (x)

Current ratio	1.73	2.11	2.00	1.93	1.89
Interest cover	25.5	12.6	24.8	33.6	41.9

Leverage

Net debt/EBITDA (x)	0.53	net cash	net cash	net cash	net cash
Net debt/equity (%)	11.4	net cash	net cash	net cash	net cash

Per share

Reported EPS (CNY)	1.29	1.44	2.21	2.90	3.93
Norm EPS (CNY)	1.20	1.33	2.10	2.90	3.93
FD norm EPS (CNY)	1.20	1.33	2.10	2.90	3.93
BVPS (CNY)	9.73	11.38	12.52	14.04	16.11
DPS (CNY)	0.51	0.68	1.05	1.37	1.86

Activity (days)

Days receivable	159.1	147.0	130.6	131.7	129.4
Days inventory	132.9	156.7	145.9	139.8	141.7
Days payable	168.6	165.6	149.5	149.8	149.7
Cash cycle	123.3	138.1	127.1	121.7	121.3

Source: Wind, company data, Nomura estimates

Company profile

Jinpan is a global power equipment supplier engaged in the R&D, production and sales of transformers, integrated electrical equipment and energy storage products. The company has fully adopted a digital manufacturing model, and provides power supply solutions and high-end equipment for renewable energy, AIDC power systems, new infrastructure, energy efficiency and rail transportation applications.

Valuation Methodology

Our target price of CNY121.55 is based on a target P/E of 55x and 2026F EPS of CNY2.21. We apply a discount to the peer valuation average to reflect the company's relatively lower profit growth profile. The stock's benchmark index is the CSI 300.

Risks that may impede the achievement of the target price

Key downside risks include weaker-than-expected orders, slower-than-expected overseas expansion and weaker-than-expected progress in emerging businesses.

ESG

Jinpan has developed integrated energy management systems, PV monitoring and O&M systems, and centralized renewable energy control systems to improve environmental risk management and energy efficiency. The company also supports emissions reduction through green power procurement and Green Electricity Certificate-based carbon offsetting. Four of its zero-carbon factories are currently in operation.

Financial forecasts

We expect Jinpan to benefit from robust global power equipment demand and profitability improvement from the launch of high-value AI data center-related products. We forecast a 27% revenue CAGR in 2026-28F, with gross margin rising to 26.8%/27.0%/27.5% in 2026/27/28F from 25.9% in 2025. We expect the company's selling, general and administrative (SG&A) expense ratio to decline to 14.6%-14.7% in 2026-28F from 15.1% in 2025, reflecting operating efficiency improvement. Based on these assumptions, we forecast net profit of CNY1,018mn/CNY1,332mn/CNY1,806mn in 2026/27/28F, implying a 40% CAGR over the period.

Fig. 1: Jinpan Smart Technology – Key financial forecasts

CNYmn	2025	2026F	2027F	2028F
Revenue	7,295	9,245	11,743	14,952
Transmission & distribution equipment	6,273	7,842	9,802	12,253
Energy storage	621	900	1,305	1,893
Digital solutions	112	157	220	308
Others	289	346	415	499
Gross profit	1,886	2,475	3,167	4,118
Gross margin	25.9%	26.8%	27.0%	27.5%
Taxes and surcharges	42	51	66	83
SG&A	1,101	1,348	1,732	2,205
Operating profit	718	1,105	1,448	1,964
Operating margin	9.8%	12.0%	12.3%	13.1%
Depreciation	246	277	301	324
Income tax	69	97	128	175
Net profit	660	1,018	1,332	1,806
Net margin	9.0%	11.0%	11.3%	12.1%
EPS (CNY)	1.44	2.21	2.90	3.93

Source: Wind, Jinpan 2025 annual report, Nomura estimates

Our revenue and net profit forecasts are above Wind consensus, mainly because we expect the company's strengths in overseas data center customer resources, product positioning and certifications to well translate into revenue and profit. Our 2026 net profit forecast is notably more bullish than consensus, reflecting our expectation that accelerated shipments of AI data center-related products will support profitability improvement. For 2027-28F, our net profit forecasts are closer to Wind consensus, as we factor in potentially intensifying competition from Chinese companies in overseas markets.

Fig. 2: Jinpan Smart Technology – Nomura estimates vs. Wind consensus

CNYmn	Nomura estimates			Wind consensus			Diff. (%)		
	2026F	2027F	2028F	2026E	2027E	2028E	2026F	2027F	2028F
Revenue	9,245	11,743	14,952	8,831	10,973	13,385	4.7%	7.0%	11.7%
Net profit	1,018	1,332	1,806	926	1,298	1,720	9.9%	2.6%	5.0%

Source: Wind, Nomura estimates

Valuation methodology and risks

Initiate at Buy with a TP of CNY121.55

Given our expectation for sustained profit growth, we value Jinpan using a P/E methodology. We select domestic power equipment companies with active overseas expansion and AI data center product exposure as peers, including Sieyuan Electric (002028 CH, Buy), Eaglerise Electric (002922 CH, Not Rated), Zhongheng Electric (002364 CH, Not Rated) and Sifang Automation (601126 CH, Not Rated).

Our peer set focuses on companies with closer comparability to Jinpan's transformer export opportunities and AI data center-related product positioning. Based on Wind consensus, the peer group trades at an average 2026F P/E of 63x. While we expect Jinpan to benefit from strong demand for AI data centers and power equipment exports, we forecast a 40% EPS CAGR for the company in 2026-28F, below the peer average of 49% over the same period. We therefore apply a 55x target P/E multiple, at a discount to the peer average. Based on 2026F EPS of CNY2.21, our target price is CNY121.55, implying 26.5% upside. We initiate coverage with a Buy rating.

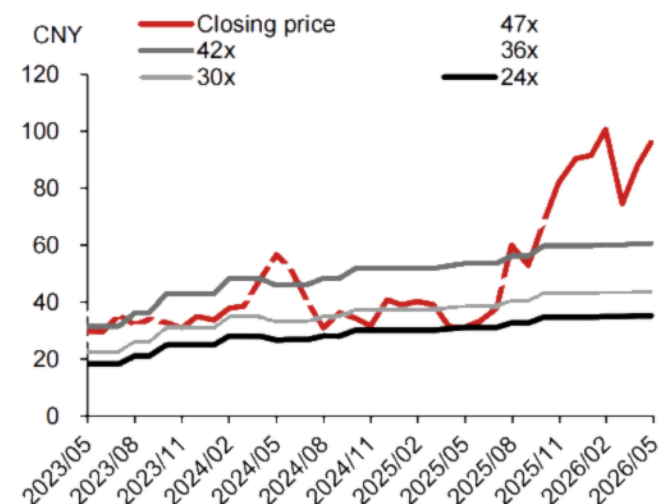
Fig. 3: Jinpan Smart Technology – Valuation comparables

Ticker	Company name	Rating	TP (LC)	CP (LC)	Mkt cap (USDmn)	PE (x)			EPS CAGR 2026-28F	ROE (%)		
						2026F	2027F	2028F		2026F	2027F	2028F
688676 CH	Jinpan Smart Technology	Buy	121.55	96.08	6,469.08	43.4	33.2	24.5	40%	17.6	20.6	24.3
002028 CH	Sieyuan Electric	Buy	273.00	194.10	22,240.18	35.5	27.1	20.0	34%	22.4	23.7	25.3
002922 CH	Eaglerise Electric	Not Rated	-	44.19	2,734.59	38.8	25.6	17.0	73%	12.0	16.5	21.4
002364 CH	Zhongheng Electric	Not Rated	-	53.70	4,431.74	114.6	71.2	50.9	69%	9.8	14.0	17.8
601126 CH	Sifang Automation	Not Rated	-	76.00	9,271.91	64.3	55.0	45.1	19%	18.8	20.3	22.1
Average						63.3	44.7	33.3	49%	15.8	18.6	21.7

Note: Priced at close of 26 May; Nomura estimates for rated stocks and Wind consensus estimates for not rated stocks; averages exclude Jinpan.

Source: Wind, Nomura estimates

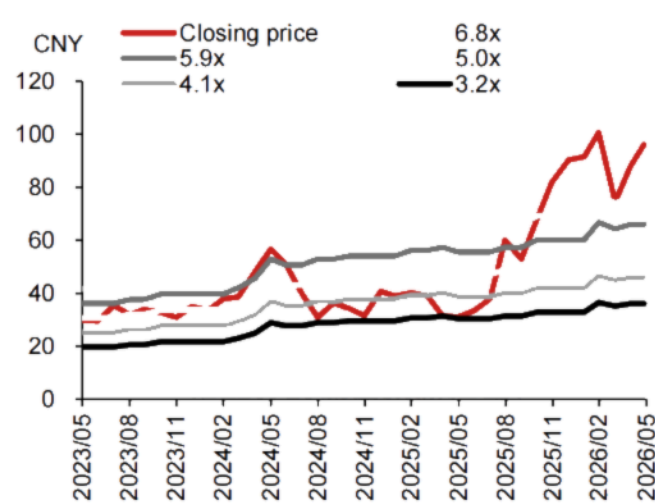
Fig. 4: Jinpan Smart Technology – P/E band



Note: Priced as of 26 May

Source: Wind, Nomura

Fig. 5: Jinpan Smart Technology – P/B band



Note: Priced as of 26 May

Source: Wind, Nomura

Key downside risks

- 1) **Weaker-than-expected orders:** Power equipment products are the company's core business, and customer orders are an important leading indicator of future performance. If future order intake falls short of our expectations, revenue and profit growth could be adversely affected.
- 2) **Slower-than-expected overseas expansion:** The company is actively expanding overseas, but overseas operations are subject to factors including trade frictions, changes in industrial policies and shifts in the competitive environment. If overseas expansion falls short of our expectations, overseas revenue growth and overall profitability improvement could be adversely affected.
- 3) **Weaker-than-expected progress in emerging businesses:** The market has relatively positive expectations for the company's AI data center-related emerging products, and the potential valuation uplift from new businesses has been partly priced in. However, progress in new businesses also depends on other parts of the industry chain. If the company's emerging businesses develop more slowly than we expect, its overall valuation could come under pressure.

Three core businesses to sustain steady growth

Initiate at Buy with a TP of CNY68.04, implying 25.7% upside

Strong global gas turbine demand to lift large components business

Building on manufacturing capabilities developed in tire molds, Himile has expanded into large components and CNC (computer numerical control) machine tools. We believe rising power demand from AI data center buildout should support gas turbine demand and create incremental growth opportunities for the company's large components business. According to Himile's 2025 annual report, its strengths in the large components business include: 1) a broad product portfolio and integrated casting/machining capabilities, enabling blank-to-finished-product solutions; 2) a diversified customer base, supported by long-term partnerships with global leaders (such as Siemens), and leading domestic companies (such as Dongfang Electric); and 3) capacity expansion to support potential demand growth, with total casting capacity reaching 300kt after completion of the 65ktpa casting expansion project in 2H25.

Three core businesses set to sustain steady growth

Himile's core businesses include tire molds, large mechanical components and CNC machine tools. We forecast 2026-28F revenue CAGRs of 30% for CNC machine tools, 18% for large mechanical components and 15% for tire molds. We expect CNC machine tools to deliver the fastest growth, supported by product/customer breakthroughs and a low revenue base. For large components, strong demand from wind power and gas turbine applications, together with capacity expansion, should support solid revenue growth, in our view. For tire molds, Himile remains a clear global leader, but we expect slower revenue growth than the other two segments, as upside is likely to come mainly from Chinese tire makers' overseas expansion and tire product upgrades in a replacement-driven global tire market.

Initiate at Buy with a TP of CNY68.04, implying 25.7% upside

We expect the company's net profit to reach CNY2,922mn/CNY3,585mn/CNY4,419mn in 2026-28F, driven by steady growth across Himile's three core businesses. Factoring in margin pressure on tire molds, as recent EU regulations may raise compliance costs for Chinese tire makers expanding overseas and increase customers' focus on cost control, we forecast gross margin to edge up from 33.6% in 2025 to 33.9%/34.4%/34.9% in 2026-28F. We value Himile at 27x 2026F P/E, below the 43x 2026E peer average, to reflect our expectation that the company's earnings growth will trail its peers. Based on 2026F EPS forecast of CNY2.52, we derive a TP of CNY68.04, implying 25.7% upside. Currently the stock trades at 21.5x 2026F P/E. Over the past month as of 26 May, Himile's unadjusted share price underperformed the CSI 300 by 43.1pp, mainly due to the technical impact of the conversion of capital reserves into share capital and ex-rights/ex-dividend adjustment, in our view. **Key catalysts** include stronger-than-expected orders for large mechanical components and CNC machine tools. **Key downside risks** include weaker downstream tire demand, slower-than-expected domestic substitution in CNC machine tools, and exchange-rate fluctuation risk.

Year-end 31 Dec	FY25		FY26F		FY27F		FY28F	
Currency (CNY)	Actual	Old	New	Old	New	Old	New	
Revenue (mn)	11,078		13,228		15,875		19,170	
Reported net profit (mn)	2,393		2,922		3,585		4,419	
Normalised net profit (mn)	2,267		2,904		3,585		4,419	
FD normalised EPS	1.95		2.50		3.09		3.81	
FD norm. EPS growth (%)	20.2		28.1		23.5		23.3	
FD normalised P/E (x)	28.4		22.2	-	18.0		14.6	
EV/EBITDA (x)	21.9		17.2	-	14.0		11.3	
Price/book (x)	5.6		4.6	-	4.0		3.3	
Dividend yield (%)	1.8		1.5		1.9		2.3	
ROE (%)	19.9		21.0		22.0		23.0	
Net debt/equity (%)	net cash		net cash		net cash		net cash	

Source: Wind, company data, Nomura estimates

Rating Starts at **Buy**

Target price Starts at **CNY 68.04**

Closing price 26 May 2026 **CNY 54.15**

Implied upside **+25.7%**

Market Cap (USD mn) 9,194.4

ADT (USD mn) 57.6

Relative performance chart



Source: Gildata

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This document is an English translation of the original Chinese report released on 27 May 2026 by Nomura Orient International Securities Co., Ltd. in the People's Republic of China. In case of any discrepancy between the English translation and the Chinese original, the Chinese version shall prevail.

Key data on Himile

Performance

(%)	1M	3M	12M		
Absolute (CNY)	-39.3	-44.5	-13.2	M cap (USDmn)	9,194.4
Absolute (USD)	-39.0	-43.7	-8.7	Free float (%)	48.9
Rel to CSI 300	-43.1	-49.1	-41.4	3-mth ADT (USDmn)	57.6

Source: Gildata

Income statement (CNYmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	8,813	11,078	13,228	15,875	19,170
Cost of goods sold	-5,790	-7,361	-8,745	-10,414	-12,482
Gross profit	3,023	3,718	4,483	5,462	6,688
SG&A	-857	-1,130	-1,310	-1,583	-1,914
Employee share expense					
Operating profit	2,294	2,743	3,342	4,099	5,053
EBITDA	2,574	3,029	3,622	4,365	5,292
Depreciation	-340	-386	-300	-300	-292
Amortisation					
EBIT	2,234	2,642	3,322	4,065	5,000
Net interest expense	10	56	17	31	50
Associates & JCEs	0	0	0	0	0
Other income	117	93	149	187	227
Earnings before tax	2,293	2,738	3,339	4,096	5,050
Income tax	-279	-343	-415	-508	-628
Net profit after tax	2,014	2,395	2,924	3,588	4,422
Minority interests	-2	-2	-2	-3	-3
Other items	0	0	0	0	0
Preferred dividends					
Normalised NPAT	1,887	2,267	2,904	3,585	4,419
Extraordinary items	125	126	19	0	0
Reported NPAT	2,011	2,393	2,922	3,585	4,419
Dividends	-1,419	-800	-977	-1,198	-1,477
Transfer to reserves	593	1,593	1,946	2,387	2,942

Valuations and ratios

Reported P/E (x)	20.0	28.2	22.1	18.0	14.6
Normalised P/E (x)	21.3	29.8	22.2	18.0	14.6
FD normalised P/E (x)	34.2	28.4	22.2	18.0	14.6
Dividend yield (%)	1.4	1.8	1.5	1.9	2.3
Price/cashflow (x)	56.6	62.4	32.8	24.9	20.8
Price/book (x)	4.1	5.6	4.6	4.0	3.3
EV/EBITDA (x)	15.2	21.9	17.2	14.0	11.3
EV/EBIT (x)	28.3	23.9	18.8	15.0	11.9
Gross margin (%)	34.3	33.6	33.9	34.4	34.9
EBITDA margin (%)	29.2	27.3	27.4	27.5	27.6
EBIT margin (%)	25.3	23.9	25.1	25.6	26.1
Net margin (%)	22.8	21.6	22.1	22.6	23.1
Effective tax rate (%)	12.2	12.5	12.4	12.4	12.4
Dividend payout (%)	70.5	33.4	33.4	33.4	33.4
ROE (%)	20.4	19.9	21.0	22.0	23.0
ROA (pretax %)	20.7	20.0	21.0	22.2	23.2

Growth (%)

Revenue	23.0	25.7	19.4	20.0	20.8
EBITDA	22.6	17.7	19.6	20.5	21.2
Normalised EPS	20.5	20.2	-11.7	23.5	23.3
Normalised FDEPS	20.5	20.2	28.1	23.5	23.3

Source: Wind, company data, Nomura estimates

Cashflow statement (CNYmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
EBITDA	2,574	3,029	3,622	4,365	5,292
Change in working capital	-1,200	-1,796	-1,243	-1,278	-1,584
Other operating cashflow	-235	-199	-412	-501	-613
Cashflow from operations	1,139	1,034	1,967	2,586	3,095
Capital expenditure	-371	-910	-145	-165	-245
Free cashflow	768	124	1,821	2,421	2,850
Reduction in investments	64	149	0	0	0
Net acquisitions	0	0	0	0	0
Dec in other LT assets	0	0	0	0	0
Inc in other LT liabilities	0	0	0	0	0
Adjustments	48	46	78	74	88
CF after investing acts	880	319	1,899	2,495	2,939
Cash dividends	-1,419	-800	-977	-1,198	-1,477
Equity issue	0	0	0	0	0
Debt issue	41	167	2	0	0
Convertible debt issue					
Others	627	512	8	-5	-5
CF from financial acts	-750	-120	-967	-1,204	-1,482
Net cashflow	150	223	909	1,292	1,456
Beginning cash	1,076	1,227	1,450	2,359	3,651
Ending cash	1,227	1,450	2,359	3,651	5,107
Ending net debt	-1,141	-1,240	-2,149	-3,441	-4,897

Balance sheet (CNYmn)

As at 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & equivalents	1,227	1,450	2,359	3,651	5,107
Marketable securities	274	483	483	483	483
Accounts receivable	3,104	4,170	4,814	5,768	6,965
Inventories	2,478	2,693	3,359	4,004	4,749
Other current assets	1,200	1,185	1,269	1,404	1,582
Total current assets	8,283	9,980	12,284	15,311	18,887
LT investments	173	108	108	108	108
Fixed assets	2,388	3,572	3,439	3,325	3,291
Goodwill	0	0	0	0	0
Other intangible assets	515	652	637	621	605
Other LT assets	319	455	435	427	427
Total assets	11,678	14,767	16,903	19,792	23,318
Short-term debt	45	210	210	210	210
Accounts payable	525	881	886	1,100	1,330
Other current liabilities	924	1,266	1,449	1,734	2,085
Total current liabilities	1,493	2,357	2,545	3,044	3,626
Long-term debt	41	0	0	0	0
Convertible debt					
Other LT liabilities	258	374	426	426	426
Total liabilities	1,792	2,731	2,971	3,470	4,051
Minority interest	7	9	11	14	17
Preferred stock					
Common stock	800	800	1,160	1,160	1,160
Retained earnings	8,554	10,687	12,610	14,996	17,938
Proposed dividends					
Other equity and reserves	525	540	151	151	151
Total shareholders' equity	9,886	12,036	13,932	16,322	19,267
Total equity & liabilities	11,678	14,767	16,903	19,792	23,318

Liquidity (x)

Current ratio	5.55	4.23	4.83	5.03	5.21
Interest cover	-	-	-	-	-

Leverage

Net debt/EBITDA (x)	net cash	net cash	net cash	net cash	net cash
Net debt/equity (%)	net cash	net cash	net cash	net cash	net cash

Per share

Reported EPS (CNY)	2.53	3.00	2.52	3.09	3.81
Norm EPS (CNY)	2.36	2.83	2.50	3.09	3.81
FD norm EPS (CNY)	1.63	1.95	2.50	3.09	3.81
BVPS (CNY)	12.35	15.03	12.00	14.06	16.59
DPS (CNY)	0.78	1.00	0.84	1.03	1.27

Activity (days)

Days receivable	116.4	118.2	122.2	120.0	119.6
Days inventory	129.0	126.5	124.6	127.3	126.2
Days payable	26.2	34.4	36.4	34.3	35.1
Cash cycle	219.2	210.3	210.4	212.9	210.8

Source: Wind, company data, Nomura estimates

Company profile

Himile's core businesses include tire molds, casting and precision machining of large mechanical components, and the R&D, production and sales of machine tools. In large mechanical components, the company has established long-term relationships with leading domestic and overseas customers and has received multiple best supplier awards.

Valuation Methodology

Our target price of CNY68.04 is based on a 27x target 2026F P/E multiple and 2026F EPS of CNY2.52. We apply a discount to the 2026E peer average P/E to reflect our expectation that the company's earnings growth will lag the peer average. The stock's benchmark index is the CSI 300.

Risks that may impede the achievement of the target price

Key downside risks include weaker-than-expected demand in the downstream tire industry, slower-than-expected domestic substitution in CNC machine tools and exchange-rate fluctuation risk.

ESG

Himile was among the first national-level green factories and national clean production demonstration enterprises in China, and has participated in the formulation of comprehensive green manufacturing standards for the industry. The company continues to explore low-carbon development across clean energy use, design and development, production and processing, and waste treatment.



Financial forecasts

We expect steady growth across Himile's three core businesses. However, we believe the recent EU regulatory measures may increase compliance costs for Chinese tire companies expanding overseas and strengthen downstream customers' focus on supply chain pricing and cost control. We therefore forecast gross margin to edge up from 33.6% in 2025 to 33.9%/34.4%/34.9% in 2026/27/28F. Based on these assumptions, we forecast net profit of CNY2,922mn/CNY3,585mn/CNY4,419mn in 2026/27/28F.

Fig. 1: Himile – Key financial forecasts

CNYmn	2025	2026F	2027F	2028F
Revenue	11,078	13,228	15,875	19,170
Tire molds	5,509	6,335	7,286	8,379
Large mechanical components	3,964	4,678	5,519	6,513
CNC Machine Tool	968	1,258	1,636	2,127
Others	637	956	1,434	2,152
Gross profit	3,718	4,483	5,462	6,688
<i>Gross margin</i>	33.6%	33.9%	34.4%	34.9%
Taxes and surcharges	103	125	148	180
SG&A	1,130	1,310	1,583	1,914
Operating profit	2,743	3,342	4,099	5,053
<i>Operating margin</i>	24.8%	25.3%	25.8%	26.4%
Depreciation	386	300	300	292
Income tax	343	415	508	628
Net profit	2,393	2,922	3,585	4,419
<i>Net margin</i>	21.6%	22.1%	22.6%	23.1%
EPS (CNY)	3.00	2.52	3.09	3.81

Source: Wind, Himile 2025 annual report, Nomura estimates

Our revenue and net profit forecasts are above Wind consensus, mainly because we expect the company's high-quality gas turbine customer resources in large components to translate into earnings growth. We also believe the CNC machine tool business is making good progress in market development and could outperform market expectations by leveraging the company's existing tire mold customer channels.

Fig. 1: Himile – Nomura estimates vs. Wind consensus

CNYmn	Nomura estimates			Wind consensus			Diff. (%)		
	2026F	2027F	2028F	2026E	2027E	2028E	2026F	2027F	2028F
Revenue	13,228	15,875	19,170	13,134	15,725	18,553	0.7%	1.0%	3.3%
Net profit	2,922	3,585	4,419	2,906	3,473	4,133	0.6%	3.2%	6.9%

Source: Wind, Nomura estimates

Valuation methodology and risks

Initiate at Buy with a TP of CNY68.04

Given our expectation for steady profit growth, we value Himile using a P/E methodology. We select domestic companies with exposure to casting and CNC machine tools as peers, including Allied Machinery (605060 CH, Not Rated), Haitian Precision (601882 CH, Not Rated) and Kede Numerical Control (688305 CH, Not Rated).

We value Himile at 27x 2026F P/E, a discount to the 2026E peer average of 43x, mainly reflecting our expectation that Himile's future earnings growth will lag the peer average. We forecast the company's 2026-28F EPS CAGR at 8%, below the peer average of 29% over the same period. Based on 2026F EPS of CNY2.52, we derive our target price of CNY68.04, implying 25.7% upside. We initiate coverage with a Buy rating.

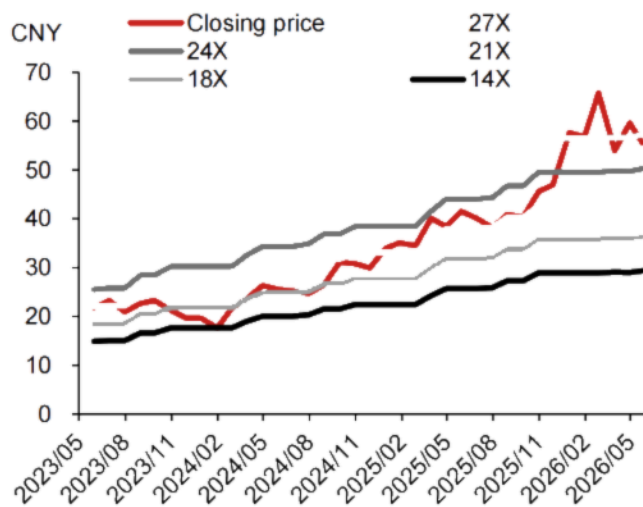
Fig. 2: Himile – Valuation comparables

Ticker	Company name	Rating	TP (LC)	CP (LC)	Mkt cap (USDmn)	PE (x)			EPS CAGR	ROE (%)		
						2026F	2027F	2028F		2026-28F	2026F	2027F
002595 CH	Himile	Buy	68.04	54.15	9,198.40	21.5	17.5	14.2	8%	21.0	22.0	23.0
605060 CH	Allied Machinery	Not Rated	-	53.90	1,899.00	39.3	29.7	22.1	37%	12.4	14.9	17.0
601882 CH	Haitian Precision	Not Rated	-	23.26	1,778.02	23.8	20.5	17.9	17%	15.5	15.7	15.8
688305 CH	Kede Numerical Control	Not Rated	-	68.10	1,325.41	66.4	52.4	43.4	33%	6.8	8.1	9.1
Average						43.2	34.2	27.8	29%	11.6	12.9	14.0

Note: Priced at close of 26 May 2026; Nomura estimates for rated stocks and Wind consensus estimates for not rated stocks; averages exclude Himile.

Source: Wind, Nomura estimates

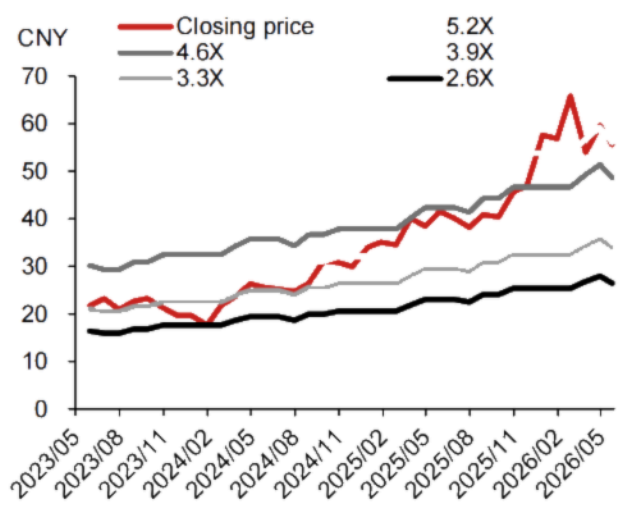
Fig. 3: Himile – P/E band



Note: Priced as of 26 May 2026

Source: Wind, Nomura

Fig. 4: Himile – P/B band



Note: Priced as of 26 May 2026

Source: Wind, Nomura

Key downside risks

- (1) **Weaker-than-expected demand in the downstream tire industry:** The performance of Himile's tire mold business is mainly driven by downstream tire demand. As tire molds are consumable products, incremental demand is largely driven by model replacement frequency and greater diversification of tire types. Given the global auto industry's transition toward EVs, if EV tires become more standardized and replacement cycles slow, the tire mold business could perform below our expectations.
- (2) **Slower-than-expected domestic substitution in CNC machine tools:** Himile's CNC machine tool business could create market value upside as it benefits from domestic substitution. However, China's CNC machine tool industry still relies on imported suppliers for certain key components, including ball screws, guide rails and CNC systems. If Himile's technological progress in these key components falls short of expectations, the business could face pricing pressure after capacity expansion, and future profitability improvement could be weaker than we expect.
- (3) **Exchange-rate fluctuation risk:** The company has long been committed to overseas market expansion. Exchange-rate fluctuations may affect the pricing of its export products, thereby weighing on profitability and posing risks to operations. In addition, as the scale of its export business continues to grow, the company's foreign-currency assets are likely to increase accordingly, which could lead to foreign-exchange gains or losses due to CNY fluctuations against foreign currencies. If the CNY sees significant volatility against major currencies such as the USD and EUR, the company's earnings growth may fall short of our expectations.

Composite insulator leader rides grid upcycle

Initiate at Buy with a TP of CNY84.32, implying 48.8% upside

Leading composite insulator supplier positioned to benefit from grid capex tailwinds

Shemar has a long operating track record in composite insulators, supported by strong product performance and an entrenched customer base. We expect its composite insulator products to remain a key top-line/bottom-line contributor, driven by higher grid and UHV investment during China's 15th Five-Year Plan period, as well as overseas grid upgrades and capacity expansion led by the energy transition and AI data center buildout. We forecast a 33% CAGR for the company's revenue in 2026-28F. Considering operating leverage from revenue growth and continued overseas expansion, we expect gross margin to rise to 46.7%/46.8%/47.4% in 2026/27/28F from 46.2% in 2025.

Solid competitive position in core business; new growth areas under development

According to the company's IR disclosures: 1) Shemar believes transformer and switchgear customers lack economies of scale in in-house insulator production, making it uneconomical for the customers to produce insulators themselves. Against the backdrop of accelerating global grid investment, we believe the company's leadership in composite insulators remains intact and should allow it to capture incremental orders from downstream demand growth; and 2) Shemar is actively developing external insulation and sealing products for power transmission and transformation equipment as future growth drivers. We forecast a 41% revenue CAGR in 2026-28F for the company's composite external insulation business for power transmission and transformation lines.

Initiate at Buy with a TP of CNY84.32, implying 48.8% upside

We expect Shemar to continue benefiting from domestic UHV construction and overseas grid upgrades, and forecast revenue and net profit CAGRs of 33% and 32% in 2026-28F, respectively. We value Shemar at 62x 2026F P/E, a premium to the 36x peer average to reflect its stronger expected profit growth and higher ROE than peers. Based on 2026F EPS of CNY1.36, we derive our TP of CNY84.32, implying 48.8% upside; initiate at Buy. The stock trades at 41.6x 2026F P/E and has underperformed the CSI 300 by 10.8pp over the past month as of 26 May, likely reflecting market concerns over power equipment exports and the pace of domestic UHV project execution, in our view. **Key catalysts** include faster-than-expected ramp-up of overseas plants and faster-than-expected domestic UHV construction. **Key downside risks** include product quality issues, exchange rate fluctuation risk and raw material price volatility

Year-end 31 Dec	FY25	FY26F		FY27F		FY28F	
Currency (CNY)	Actual	Old	New	Old	New	Old	New
Revenue (mn)	1,721		2,531		3,359		4,091
Reported net profit (mn)	432		588		802		990
Normalised net profit (mn)	419		585		802		990
FD normalised EPS	0.97		1.35		1.86		2.29
FD norm. EPS growth (%)	38.7		39.4		37.1		23.6
FD normalised P/E (x)	58.3		41.8		30.5		24.7
EV/EBITDA (x)	30.4		30.4		23.1		18.9
Price/book (x)	9.9		11.6		9.7		8.1
Dividend yield (%)	0.6		0.8		1.6		2.0
ROE (%)	24.0		27.8		31.9		32.9
Net debt/equity (%)	14.7		net cash		net cash		net cash

Source: Wind, company data, Nomura estimates

Rating Starts at **Buy**

Target price Starts at **CNY 84.32**

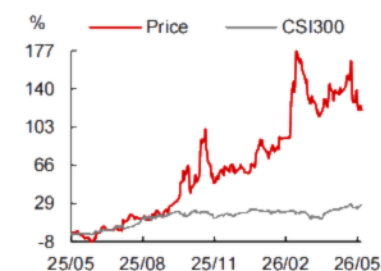
Closing price 26 May 2026 **CNY 56.66**

Implied upside **+48.8%**

Market Cap (USD mn) 3,581.8

ADT (USD mn) 64.4

Relative performance chart



Source: Gildata

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This document is an English translation of the original Chinese report released on 27 May 2026 by Nomura Orient International Securities Co., Ltd. in the People's Republic of China. In case of any discrepancy between the English translation and the Chinese original, the Chinese version shall prevail.

Key data on Shemar Electric

Performance

(%)	1M	3M	12M		
Absolute (CNY)	-7.1	3.6	116.1	M cap (USDmn)	3,581.8
Absolute (USD)	-6.6	5.0	127.3	Free float (%)	20.9
Rel to CSI 300	-10.8	-1.1	87.9	3-mth ADT (USDmn)	64.4

Source: Gildata

Income statement (CNYmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Revenue	1,345	1,721	2,531	3,359	4,091
Cost of goods sold	-758	-926	-1,350	-1,787	-2,153
Gross profit	587	795	1,181	1,572	1,939
SG&A	-242	-296	-518	-679	-835
Employee share expense					
Operating profit	366	506	687	935	1,155
EBITDA	440	589	802	1,054	1,272
Depreciation	-82	-90	-106	-115	-115
Amortisation					
EBIT	358	499	696	939	1,157
Net interest expense	7	5	-10	-4	-3
Associates & JCEs	0	0	0	0	0
Other income	13	4	34	46	53
Earnings before tax	365	508	686	935	1,154
Income tax	-55	-77	-98	-133	-163
Net profit after tax	311	432	588	802	990
Minority interests	0	0	0	0	0
Other items	0	0	0	0	0
Preferred dividends					
Normalised NPAT	302	419	585	802	990
Extraordinary items	8	12	3	0	0
Reported NPAT	311	432	588	802	990
Dividends	-197	-147	-200	-401	-495
Transfer to reserves	113	285	388	401	495

Valuations and ratios

Reported P/E (x)	34.4	41.1	41.6	30.5	24.7
Normalised P/E (x)	35.3	42.3	41.8	30.5	24.7
FD normalised P/E (x)	80.9	58.3	41.8	30.5	24.7
Dividend yield (%)	0.8	0.6	0.8	1.6	2.0
Price/cashflow (x)	152.7	208.7	37.8	43.4	30.5
Price/book (x)	6.0	9.9	11.6	9.7	8.1
EV/EBITDA (x)	23.7	30.4	30.4	23.1	18.9
EV/EBIT (x)	67.6	49.4	35.0	25.9	20.8
Gross margin (%)	43.6	46.2	46.6	46.8	47.4
EBITDA margin (%)	32.7	34.3	31.7	31.4	31.1
EBIT margin (%)	26.6	29.0	27.5	28.0	28.3
Net margin (%)	23.1	25.1	23.2	23.9	24.2
Effective tax rate (%)	15.0	15.1	14.3	14.2	14.2
Dividend payout (%)	63.5	34.0	34.0	50.0	50.0
ROE (%)	17.5	24.0	27.8	31.9	32.9
ROA (pretax %)	15.9	19.5	22.5	23.8	24.7

Growth (%)

Revenue	40.2	27.9	47.1	32.7	21.8
EBITDA	84.1	34.1	36.1	31.4	20.7
Normalised EPS	102.2	38.9	39.4	37.1	23.6
Normalised FDEPS	102.2	38.7	39.4	37.1	23.6

Source: Wind, company data, Nomura estimates

Cashflow statement (CNYmn)

Year-end 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
EBITDA	440	589	802	1,054	1,272
Change in working capital	-238	-418	-63	-376	-330
Other operating cashflow	-42	-54	-92	-115	-139
Cashflow from operations	160	117	648	564	803
Capital expenditure	-92	-233	-99	-101	-6
Free cashflow	68	-116	549	463	797
Reduction in investments	-57	10	0	0	0
Net acquisitions	0	0	0	0	0
Dec in other LT assets	0	0	0	0	0
Inc in other LT liabilities	0	0	0	0	0
Adjustments	3	2	0	5	5
CF after investing acts	14	-104	549	467	802
Cash dividends	-197	-147	-200	-401	-495
Equity issue	52	2	0	0	0
Debt issue	101	362	12	49	0
Convertible debt issue					
Others	4	-298	-63	-17	-18
CF from financial acts	-41	-80	-251	-369	-513
Net cashflow	-27	-183	294	98	289
Beginning cash	410	383	200	494	592
Ending cash	383	200	494	592	881
Ending net debt	-282	263	-19	-69	-358

Balance sheet (CNYmn)

As at 31 Dec	FY24	FY25	FY26F	FY27F	FY28F
Cash & equivalents	383	200	494	592	881
Marketable securities	91	82	82	82	82
Accounts receivable	648	862	1,208	1,607	1,954
Inventories	327	400	551	733	876
Other current assets	206	132	280	372	440
Total current assets	1,655	1,677	2,615	3,387	4,233
LT investments	0	0	0	0	0
Fixed assets	662	748	742	727	617
Goodwill	0	0	0	0	0
Other intangible assets	115	114	109	104	99
Other LT assets	45	96	103	103	103
Total assets	2,477	2,635	3,568	4,321	5,051
Short-term debt	101	250	262	310	310
Accounts payable	357	113	552	745	886
Other current liabilities	189	196	341	452	546
Total current liabilities	647	559	1,155	1,507	1,743
Long-term debt	0	213	213	213	213
Convertible debt					
Other LT liabilities	53	66	84	84	84
Total liabilities	700	839	1,453	1,805	2,040
Minority interest	0	0	0	0	0
Preferred stock					
Common stock	432	432	432	432	432
Retained earnings	943	1,178	1,562	1,963	2,458
Proposed dividends					
Other equity and reserves	402	186	121	121	121
Total shareholders' equity	1,777	1,796	2,115	2,516	3,011
Total equity & liabilities	2,477	2,635	3,568	4,321	5,051

Liquidity (x)

Current ratio	2.56	3.00	2.26	2.25	2.43
Interest cover	-	-	68.2	212.6	403.0

Leverage

Net debt/EBITDA (x)	net cash	0.45	net cash	net cash	net cash
Net debt/equity (%)	net cash	14.7	net cash	net cash	net cash

Per share

Reported EPS (CNY)	0.73	1.02	1.36	1.86	2.29
Norm EPS (CNY)	0.70	0.97	1.35	1.86	2.29
FD norm EPS (CNY)	0.70	0.97	1.35	1.86	2.29
BVPS (CNY)	4.11	4.16	4.90	5.83	6.98
DPS (CNY)	0.46	0.35	0.46	0.93	1.15

Activity (days)

Days receivable	145.6	158.0	147.2	150.9	156.7
Days inventory	128.8	141.3	126.8	129.3	134.5
Days payable	126.8	91.4	88.7	130.7	136.4
Cash cycle	147.6	207.9	185.4	149.5	154.8

Source: Wind, company data, Nomura estimates

Company profile

Founded in 1996, Shemar has long focused on new-material external insulation products and related grid solutions, while continuing to expand its global business footprint. The company has developed nine major product categories with technical performance at an internationally advanced level.

Valuation Methodology

Our target price of CNY84.32 is based on a 62x target 2026F P/E multiple and 2026F EPS of CNY1.36. We apply a premium to the peer valuation average to reflect our expectation that the company has relatively stronger profit growth outlook and higher ROE than peers. The stock's benchmark index is the CSI 300.

Risks that may impede the achievement of the target price

Key downside risks include product quality issues, exchange rate fluctuation risk and raw material price volatility.

ESG

According to the company's 2025 annual report, Shemar has been recognized as a national green factory and a national 5G factory. It has also participated in the drafting of 56 national, industry and State Grid enterprise standards.

Financial forecasts

We expect Shemar to continue benefiting from domestic UHV project construction and incremental demand from overseas grid upgrades. We also believe product upgrades in composite insulation should further support profitability improvement. We forecast a 33% revenue CAGR in 2026-28F, with gross margin rising to 46.7%/46.8%/47.4% in 2026/27/28F from 46.2% in 2025. We forecast the SG&A expense ratio to rise to 20.5% in 2026F from 17.2% in 2025, reflecting higher expenses related to overseas channel expansion and the ramp-up of the US plant. We expect the SG&A expense ratio to remain broadly stable at 20.2%-20.4% in 2027-28F, with modest improvement from operating efficiency gains. Based on these assumptions, we forecast net profit of CNY588mn/CNY802mn/CNY990mn in 2026/27/28F, implying a 32% CAGR over 2026-28F.

Fig. 1: Shemar Electric – Key financial forecasts

CNYmn	2025	2026F	2027F	2028F
Revenue	1,721	2,531	3,359	4,091
Insulation for substation	1,244	1,847	2,438	2,943
Rubber seals	270	374	457	555
Insulation for transmission	169	253	378	472
Others	38	57	86	121
Gross profit	795	1,181	1,572	1,939
Gross margin	46.2%	46.7%	46.8%	47.4%
Taxes and surcharges	17	30	40	49
SG&A	296	518	679	835
SG&A expense ratio	17.2%	20.5%	20.2%	20.4%
Operating profit	506	687	935	1,155
Operating margin	29.4%	27.1%	27.8%	28.2%
Depreciation	90	106	115	115
Income tax	77	98	133	163
Net profit	432	588	802	990
Net margin	25.1%	23.2%	23.9%	24.2%
EPS (CNY)	1.02	1.36	1.86	2.29

Source: Wind, Shemar 2025 annual report, Nomura estimates

Our revenue and net profit forecasts are above Wind consensus, mainly because we believe the commissioning and ramp-up of the company's US plant could be faster than the market expects, supporting accelerated shipments of higher-value composite insulation products into overseas markets. However, factoring in potential profit pressure from raw material price volatility, we take a relatively cautious view on net profit. Our 2026F/2028F forecasts are below Wind consensus, while our 2027 forecast is slightly above consensus.

Fig. 2: Shemar Electric – Nomura estimates vs. Wind consensus

CNYmn	Nomura estimates			Wind consensus			Diff. (%)		
	2026F	2027F	2028F	2026E	2027E	2028E	2026F	2027F	2028F
Revenue	2,531	3,359	4,091	2,362	3,064	3,996	7.1%	9.6%	2.4%
Net profit	588	802	990	608	799	1,050	-3.3%	0.3%	-5.7%

Source: Wind, Nomura estimates

Valuation methodology and risks

Initiate at Buy with a TP of CNY84.32

Given our expectation for sustained profit growth, we value Shemar using a P/E methodology. We select domestic power equipment companies that are actively expanding overseas and benefiting from incremental demand created by AI data center buildout as peers, including Sieyuan Electric (002028 CH, Buy), Jinpan Smart Technology (688676 CH, Buy), Huaming Power Equipment (002270 CH, Not Rated), Pinggao Electric (600312 CH, Not Rated) and China XD Electric (601179 CH, Not Rated).

Based on Wind consensus, the peer group trades at an average 2026E P/E of 36x. We apply a 62x target P/E multiple, at a premium to the peer average, reflecting our expectation that Shemar's profit growth and ROE will be above the peer average. We forecast a 32% EPS CAGR for the company in 2026-28F, above the peer average of 28% over the same period. We also forecast the company's ROE of 27.8%-32.9% in 2026-28F, above the peer average of 16.5%-20.0%. Based on 2026F EPS of CNY1.36, our target price is CNY84.32, implying 48.8% upside. We initiate coverage with a Buy rating.

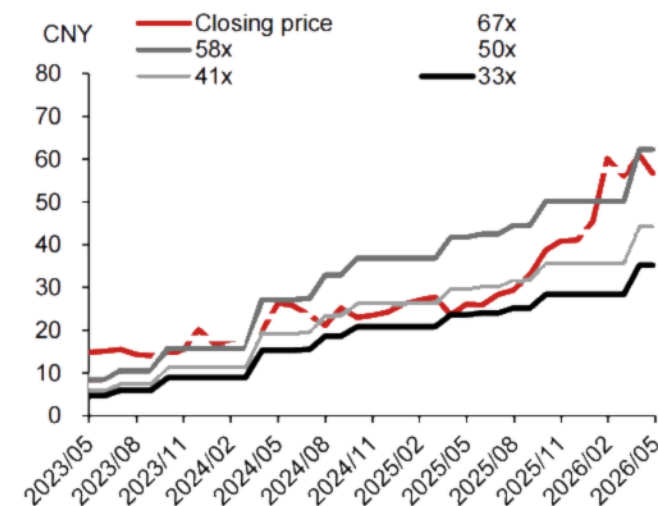
Fig. 3: Shemar Electric – Valuation comparables

Ticker	Company name	Rating	TP (LC)	CP (LC)	Mkt cap (USDmn)	PE (x)			EPS CAGR 2026-28F	ROE (%)		
						2026F	2027F	2028F		2026F	2027F	2028F
603530 CH	Shemar Electric	Buy	84.32	56.66	3,581.78	41.6	30.5	24.7	32%	27.8	31.9	32.9
002028 CH	Sieyuan Electric	Buy	273.00	194.10	22,240.18	37.2	28.4	20.9	34%	22.4	23.7	25.3
688676 CH	Jinpan Smart Technology	Not Rated	121.55	96.08	6,469.08	44.9	34.3	25.3	40%	17.7	20.6	24.4
002270 CH	Huaming Power Equipment	Not Rated	-	23.26	3,052.69	24.7	20.4	16.1	22%	24.2	26.3	28.6
600312 CH	Pinggao Electric	Not Rated	-	21.00	4,172.82	20.1	16.6	14.3	21%	11.8	12.9	13.2
601179 CH	China XD Electric	Not Rated	-	16.18	12,145.15	53.3	43.3	36.6	21%	6.5	7.5	8.3
Average						36.0	28.6	22.7	28%	16.5	18.2	20.0

Note: Priced at close of 26 May 2026; Nomura estimates for rated stocks and Wind consensus estimates for not rated stocks; averages exclude Shemar.

Source: Wind, Nomura estimates

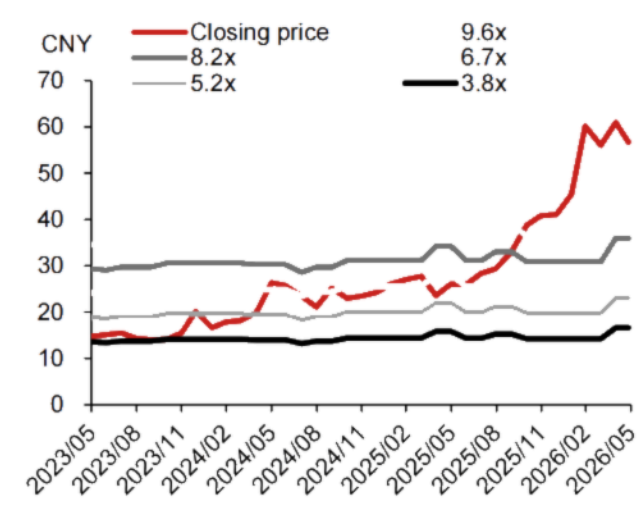
Fig. 4: Shemar Electric – P/E band



Note: Priced as of 26 May 2026

Source: Wind, Nomura

Fig. 5: Shemar Electric – P/B band



Note: Priced as of 26 May 2026

Source: Wind, Nomura

Key downside risks

- 1) **Product quality risk:** Insulators are critical basic electrical components for safe and stable grid operation. Although the company's insulator products have been used in large quantities globally and have demonstrated stable quality and performance, any major quality issue in insulators used in power transmission and transformation projects could lead to local or even widespread grid outages. Such an event could cause power system failures or accidents and have a negative impact on the company's products and brand.
- 2) **Exchange rate fluctuation risk:** The company's exports are mainly sold to developed markets such as the US and Europe, as well as developing markets such as India and Brazil. Major changes in China's foreign exchange policies, export-destination FX policies or the CNY exchange rate against major global currencies could affect the company's profitability.
- 3) **Raw material price volatility:** The company's key raw materials include winding yarn, silicone rubber and aluminum ingots, and changes in raw material prices have a direct impact on profitability. Some of the company's raw material procurement costs have risen to varying degrees in recent years. If raw material prices increase significantly and the company is unable to raise selling prices for its key products accordingly, profitability could be adversely affected.

Appendix A-1

This report has been produced by Nomura Orient International Securities Co., Ltd., the People's Republic of China. See [Disclaimers](#) for Nomura Group entity details.

Analyst Certification

We, Xiaoming Ma, Peiyu Li, hereby certify (1) that the views expressed in this Research report accurately reflect our personal views about any or all of the subject securities or issuers referred to in this Research report, (2) no part of our compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this Research report and (3) no part of our compensation is tied to any specific investment banking transactions performed by Nomura Securities International, Inc., Nomura International plc or any other Nomura Group company.

Issuer Specific Regulatory Disclosures

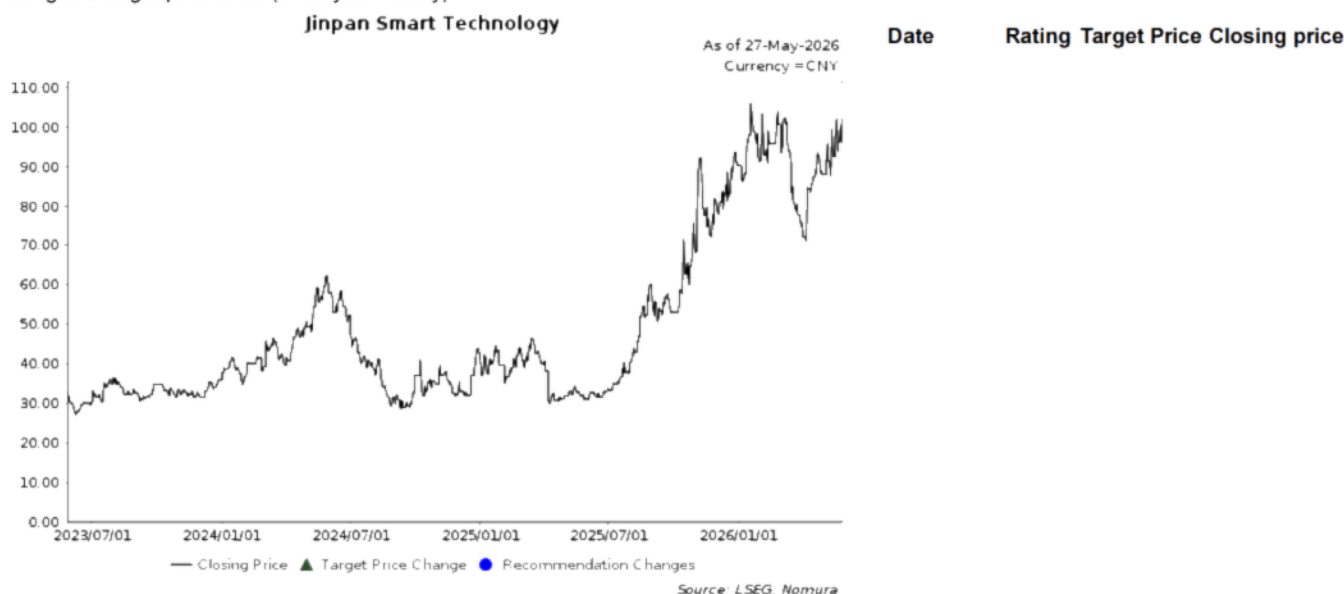
The terms "Nomura" and "Nomura Group" used herein refer to Nomura Holdings, Inc. and its affiliates and subsidiaries, including Nomura Securities International, Inc. ('NSI') and Instinet, LLC ('ILLC'), U. S. registered broker dealers and members of SIPC.

Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Jinpan Smart Technology	688676 CH	CNY 103.75	27-May-2026	Buy	N/A	
Himile	002595 CH	CNY 53.08	27-May-2026	Buy	N/A	
Shemar Electric	603530 CH	CNY 56.47	27-May-2026	Buy	N/A	

Jinpan Smart Technology (688676 CH)

CNY 103.75 (27-May-2026) Buy (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our target price of CNY121.55 is based on a target P/E of 55x and 2026F EPS of CNY2.21. We apply a discount to the peer valuation average to reflect the company's relatively lower profit growth profile. The stock's benchmark index is the CSI 300.

Risks that may impede the achievement of the target price Key downside risks include weaker-than-expected orders, slower-than-expected overseas expansion and weaker-than-expected progress in emerging businesses.

Himile (002595 CH)**CNY 53.08 (27-May-2026) Buy** (Sector rating: N/A)

Rating and target price chart (three year history)



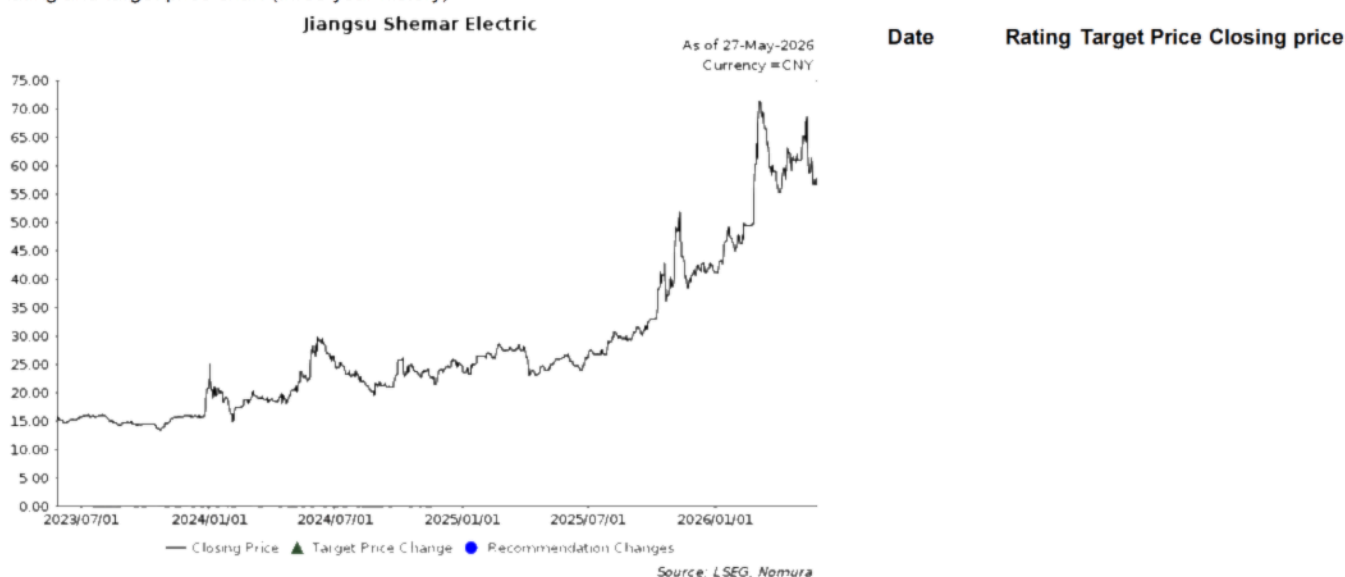
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Valuation Methodology Our target price of CNY68.04 is based on a 27x target 2026F P/E multiple and 2026F EPS of CNY2.52. We apply a discount to the 2026E peer average P/E to reflect our expectation that the company's earnings growth will lag the peer average. The stock's benchmark index is the CSI 300.

Risks that may impede the achievement of the target price Key downside risks include weaker-than-expected demand in the downstream tire industry, slower-than-expected domestic substitution in CNC machine tools and exchange-rate fluctuation risk.

Shemar Electric (603530 CH)**CNY 56.47 (27-May-2026) Buy** (Sector rating: N/A)

Rating and target price chart (three year history)



For explanation of ratings refer to the stock rating keys located after chart(s)

Valuation Methodology Our CNY84.32 TP is based on a 62x target 2026F P/E multiple and 2026F EPS of CNY1.36. We apply a premium to the peer valuation average to reflect our expectation that the company has relatively stronger profit growth outlook and higher ROE than peers. The stock's benchmark index is the CSI 300.

Risks that may impede the achievement of the target price Key downside risks include product quality issues, exchange rate fluctuation risk and raw material price volatility.

Rating and target price changes

Issuer	Ticker	Old Stock Rating	New Stock Rating	Old Target Price	New Target Price
Jinpan Smart Technology	688676 CH	Not Rated	Buy	N/A	CNY 121.55
Himile	002595 CH	Not Rated	Buy	N/A	CNY 68.04
Shemar Electric	603530 CH	Not Rated	Buy	N/A	CNY 84.32

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As at 31 March 2026.

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