NOMURA

China Power Grid

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EQUITY: ELECTRICAL EQUIPMENT

Extended upcycle fueled by 15th FYP and exports

Reiterate Buy on NARI and Huaming

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We expect China's domestic power grid investment to grow at HSD over 2026-30F

We expect China's domestic power grid investment to remain robust, driven by China's 15th Five-Year-Plan (FYP; 2026-2030) for renewable energy, which calls for moderately front-loaded power grid infrastructure construction. We expect total national grid investment of CNY5tn under the 15th FYP, including ~CNY4tn by State Grid (SGCC, unlisted), ~40% above that in 14th FYP (2021-2025). In 1H26, SGCC and China Southern Grid (CSG, unlisted) achieved fixed asset investment of approximately CNY310bn and CNY89bn, up 13% and 15% y-y, respectively. We expect domestic power grid spending to grow at high-single-digit-% (HSD) per annum in 2026-30F, and we expect a more investment focus on key applications, such as ultra-high-voltage (UHV), secondary equipment and smart distribution grid, which should see above-average growth over the period.

UHVDC transmission remains key investment target for domestic grid sector

We believe UHV remains the key solution to improving the utilization rates of oversupplied solar and wind power in China's western provinces over 2026-30F. According to the NEA (National Energy Agency), China is expected to build 15 UHV DC (direct current) lines for green power over the 15th FYP period, with the west-to-east power transmission capacity reaching over 420GW (340GW by end-2025). According to SGCC, the cumulative UHV equipment tenders have achieved CNY29bn YTD, exceeding the total tender amount of CNY22bn for full-year 2025 (*Fig. 2*). Key UHV equipment suppliers include: 1) converter valves and secondary equipment: NARI Tech (600406 CH, Buy) and Xuji Electric (000400 CH, not rated); and 2) converter transformers and GIS (Gas Insulated Switchgear): XD Electric (601179 CH, not rated), TBEA (600089 CH, not rated) and Pinggao Electric (600312 CH, not rated).

China's power transformer exports stayed robust in 1H26

According to China Customs, total power transformer exports from China grew 31% y-y to USD5.1bn in 1H26 (*Fig. 4*), including +24% y-y for dry transformer exports to USD1.7bn and +35% y-y for liquid transformer exports to USD3.5bn. Key export destinations include the US, Saudi Arabia, Vietnam, Malaysia, Indonesia, etc. We expect the global shortage of power transformers to continue given the demand from both AIDC rollout, upgrade of aging grid infrastructure and renewable power installation, leading to opportunities for Chinese players gaining share in the global market. In our view, key beneficiaries include Huaming (002270 CH, Buy), Sieyuan Electric (002028 CH, Buy) and Jinpan Smart (688676 CH, Buy).

Maintain Buy on NARI Technology and Huaming Power

We continue to like NARI Technology (600406 CH, Buy) as 1) China's leading supplier for secondary grid equipment, which we expect to benefit from the incremental demand for power system stabilization, control and protection given fast-growing solar and wind installations in China; and 2) a leading supplier of UHV converter valves, with strong growth likely during 15th FYP period. NARI is trading at 19x FY27F P/E. We also have a Buy rating for Huaming (002270 CH, Buy) as we believe the current valuation (17.5x FY27F P/E) is attractive, given that the company is still on track to achieve a steady pace of overseas expansion, despite the pressure on domestic non-grid business, in our view.

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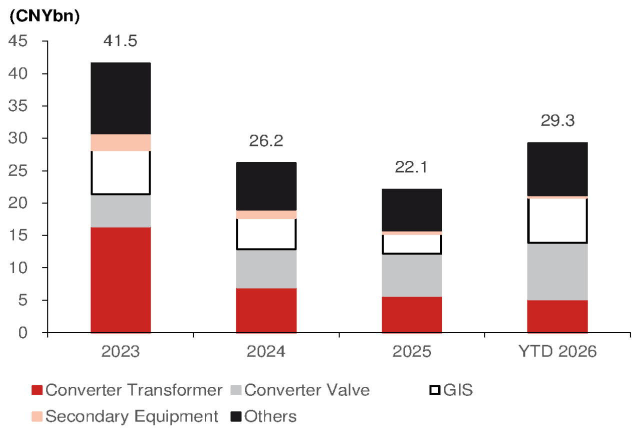
Fig. 1: 15th FYP policies related to power grid

Date	Government Authority	Policy Document	Description
Mar 2026	State Council	Outline of the 15th Five-Year Plan for National Economic and Social Development of the PRC	Build a new-type power system, substantially strengthen the complementarity, mutual support, security and resilience of the power system, optimize national power flows and cross-regional transmission corridors, accelerate smart-grid development, improve urban and rural distribution grids, plan pumped-storage hydropower in a science-based manner, and vigorously develop new energy storage.
Jun 2026	NDRC & NEA	15th Five-Year Plan for the Development of a New Energy System	Accelerate development of new-type grids. Advance the construction of outbound transmission corridors for clean-energy bases; optimize the generation mix at sending ends; and improve corridor transmission capacity, utilization efficiency and the share of clean electricity. Strengthen grid complementarity and mutual support, increasing complementary transmission capacity by around 40GW. Shift distribution grids toward platforms for efficient allocation of source-grid-load-storage resources, with the goal of enabling the connection of 900GW of distributed renewables by 2030. Accelerate smart-grid development.
Jul 2026	NEA	Energy Conservation and Carbon Reduction Action Plan (2026–2028)	Optimize national power-flow patterns and orderly advance the planning and construction of clean-energy bases and interprovincial and interregional transmission corridors, including the 'Three Norths' desert renewable-energy bases and integrated hydro-wind-solar bases. Fully tap the export potential of transmission corridors, continuously optimize operating modes, explore advanced transmission technologies, steadily raise the capacity and share of clean energy carried by these corridors, and assess pilot projects for 100% renewable-energy export transmission. Strengthen the construction, upgrading and smart transformation of distribution grids, raising their integrated hosting capacity for distributed renewables and other new-type participants.
Jul 2026	State Council	Carbon Peaking Action Plan for 15th Five-Year Plan	Strengthen the power system's ability to absorb, allocate and control renewable energy. Improve interprovincial and interregional transmission and mutual support, accelerate UHV export-corridor construction, add more than 80GW of west-to-east transmission capacity, and vigorously advance interprovincial power mutual-support projects. Support local renewable-energy consumption; actively develop green-electricity direct supply models, including direct green-power connections and the connection of new energy sources to incremental distribution grids; and promote integrated source-grid-load-storage development.
Jul 2026	NDRC & NEA	15th Five-Year Plan for Renewable Energy Development	Accelerate the development of system-friendly wind and solar plants, focusing on improving reliable peak-generation capability and strengthening renewable energy's support for safe and stable power-system operation. By 2030, the capacity credit of newly built centralized wind and solar plants should generally be no less than 10%. Broaden demand-response participation, encourage resource aggregation models such as virtual power plants, and promote vehicle-to-grid technologies. Support new business models including integrated source-grid-load-storage projects, direct green-power supply, and smart microgrids, improving self-balancing capability.
Aug 2026	NDRC & NEA	15th Five-Year Plan for the Construction of a New-Type Power System	By 2030, west-to-east transmission capacity will exceed 420GW. Pilot 100%-renewables export transmission projects in the 'Three Norths' desert regions and other areas. Increase the comprehensive hosting capacity and regulation capability of distribution grids to support the connection and safe, stable operation of 900GW of distributed renewables. Support smart microgrid development, with coordinated planning and dispatch with public grids.

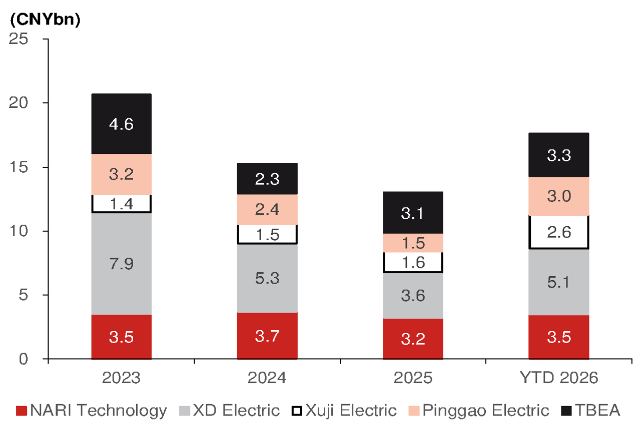
Source: State Council, NDRC, NEA, Nomura research

Fig. 2: SGCC UHV equipment tender by product



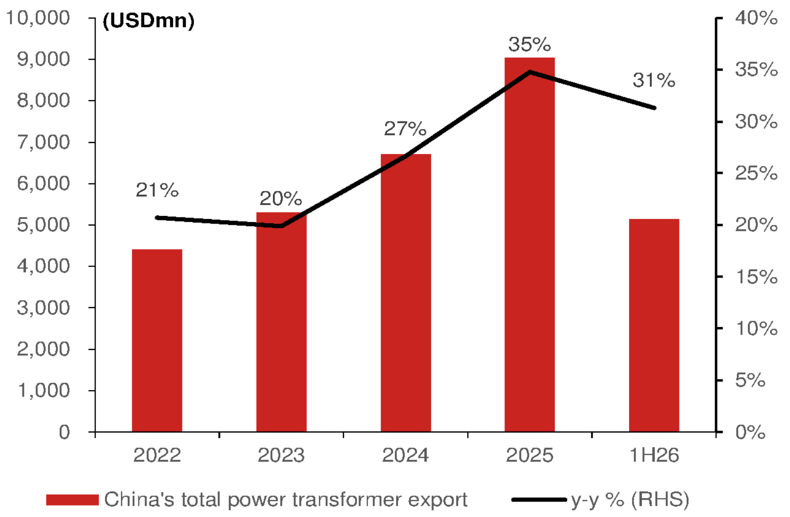
Source: SGCC, Nomura research

Fig. 3: SGCC UHV equipment tender by company



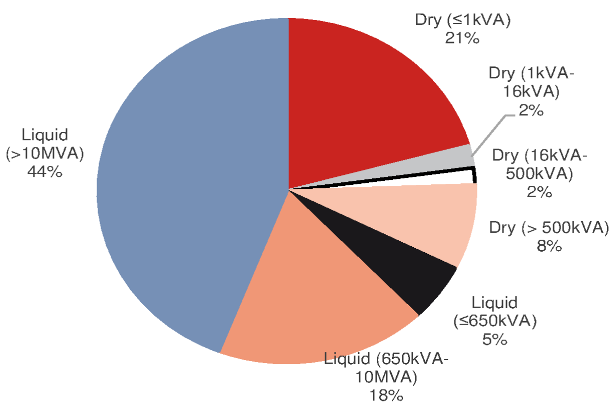
Source: SGCC, Nomura research

Fig. 4: China's power transformer export trend



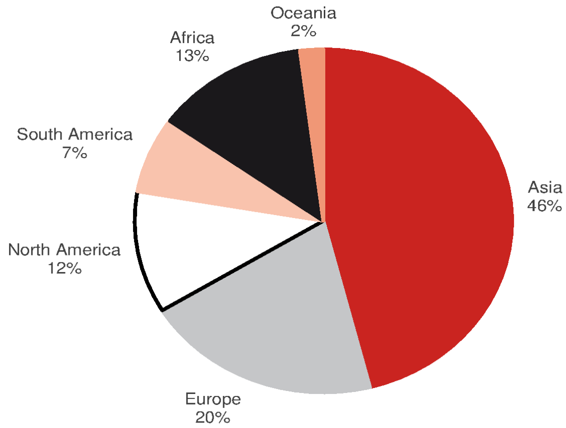
Source: China Customs, Nomura research

Fig. 5: China's power transformer exports by product type (1H26)



Source: China Customs, Nomura research

Fig. 6: China's power transformer exports by destination (1H26)



Source: China Customs, Nomura research

Fig. 7: China power grid equipment peer comparison

Ticker	Company name	Nomura Rating	Price 3-Aug	Target Price	M/Caps USD mn	P/E(x)		P/B(x)		ROE		Share Price			
						FY26F	FY27F	FY26F	FY27F	FY26F	FY27F	1M	3M	YTD	12M
600406 CH	NARI Technology	Buy	25.07	27.00	29,807	21.1	19.1	3.6	3.3	17.5%	18.0%	9%	-4%	11%	14%
002270 CH	Huaming Power	Buy	20.77	39.00	2,756	21.4	17.5	5.6	5.2	26.8%	30.6%	3%	-16%	-17%	17%
002028 CH	Sieyuan Electric	Buy	157.11	273.00	18,200	30.0	22.6	6.4	5.2	23.7%	25.4%	-7%	-20%	1%	96%
688676 CH	Jinpan Smart	Buy	65.78	121.55	4,477	31.3	22.7	5.3	4.7	17.6%	21.8%	-14%	-23%	-25%	62%
601179 CH	XD Electric	Not Rated	13.91	-	10,555	45.3	37.3	2.9	2.8	6.7%	7.7%	0%	-15%	57%	118%
600089 CH	TBEA	Not Rated	21.38	-	15,991	14.2	11.0	1.3	1.2	10.1%	11.6%	-3%	-20%	-4%	60%
000400 CH	Xuji Electric	Not Rated	23.64	-	3,565	17.2	14.3	1.8	1.6	11.0%	12.1%	13%	-5%	-7%	4%
600312 CH	Pinggao Electric	Not Rated	20.79	-	4,176	20.3	16.6	2.3	2.1	11.8%	13.0%	20%	-4%	22%	36%
601126 CH	Sifang Automation	Not Rated	38.30	-	4,723	32.5	27.7	5.9	5.4	19.0%	20.3%	-27%	-25%	40%	148%
3393 HK	Wasion Holdings	Not Rated	18.91	-	2,518	12.0	11.2	2.2	1.9	19.8%	18.1%	0%	-29%	15%	128%
China power grid equipment average						**24.5**	**20.0**	**3.7**	**3.3**	**16.4%**	**17.9%**				

Note: Price as of market close on 3 August 2026; Bloomberg consensus used for not-rated stocks.
Source: Bloomberg Finance L.P., Nomura estimates

Appendix A-1

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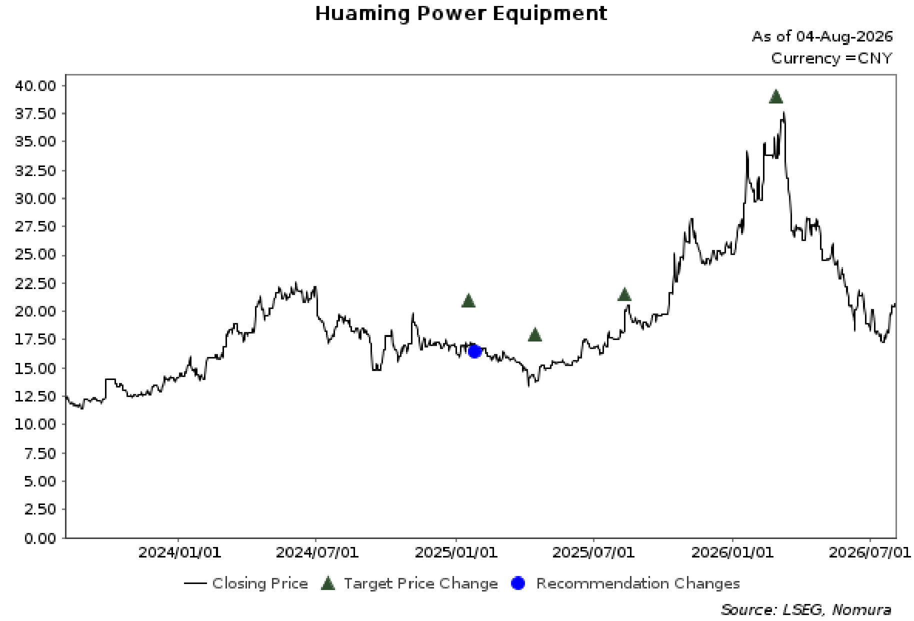
Issuer	Ticker	Price	Price date	Stock rating	Sector rating	Disclosures
Huaming Power Equipment	002270 CH	CNY 20.77	03-Aug-2026	Buy	N/A	
NARI Technology	600406 CH	CNY 25.07	03-Aug-2026	Buy	N/A	

Huaming Power Equipment (002270 CH) **CNY 20.77 (03-Aug-2026)** Buy (Sector rating: N/A)

Rating and target price chart (three year history)



Date	Rating	Target price	Closing price
28-Feb-26		39.00	33.60
11-Aug-25		21.50	18.26
15-Apr-25		18.00	13.96
17-Jan-25	Buy		17.00
17-Jan-25		21.00	17.00

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

Valuation Methodology Our TP of CNY39.00 is based on 33x FY27F EPS of CNY1.18, which is equivalent to 2x SD above the company's historical average P/E, or 1.5x FY27F PEG based on earnings CAGR of 22%. The benchmark index is CSI300.
Risks that may impede the achievement of the target price Downside risks include (1) lower-than-expected growth in grid investment; (2) slower-than-expected expansion in the overseas market; and (3) geopolitical risks of more restrictive export policies on tap changers and transformers.

NARI Technology (600406 CH)

Rating and target price chart (three-year history)

CNY 28.07 (03-Aug-2026) Buy (Sector rating: N/A)

Date	Rating	Target price	Closing price
04-Sep-25		27.00	21.30
17-Jan-25	Buy		22.07
17-Jan-25		28.00	22.07

appropriate valuation methodology determined by the analyst. Valuation methodologies include, but are not limited to, discounted cash flow analysis, expected return on equity and multiple analysis. Analysts may also indicate expected absolute upside/downside relative to the stated target price, defined as (target price - current price)/current price.

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