HBL Engineering Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	175.25	CARE A+; Stable	Reaffirmed
Long-term / Short-term bank facilities	350.00	CARE A+; Stable / CARE A1+	Assigned
Short-term bank facilities	471.00 (Enhanced from 446.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of HBL Engineering Limited (HBL) considers sustained performance in 9MFY25 (Abridged; FY refers to April 01 to March 31), receipt of order from Chittaranjan Locomotive works' (CLW) in December 2024 for supply, installation, and commissioning of onboard Train Collision Avoidance System (TCAS) equipment in 2,200 locomotives with an execution timeline of 12 months strengthening HBL's orderbook position, ensuring medium-term revenue visibility. To execute this order, HBL has availed order-specific working capital limits amounting to ₹375 crore. Despite significant increase in debt levels, HBL's financial risk profile is expected to remain healthy, supported by its strong net worth position. However, working capital limits are project-specific and would be surrendered upon successful execution of the above-mentioned order.

Ratings continue to derive strength from extensive experience of promoters and management in the industry, diversified product portfolio, which includes in-house developed technologies for most of its products, well-diversified revenue profile catering sectors, such as telecom, railways, data centres, defence and aviation and automotive, and healthy financial risk profile with negligible reliance on external debt funding. Ratings also continue to derive strength from the significant improvement in operational and financial performance of the company in FY24 driven by strong demand for its industrial batteries product portfolio from sectors, including telecom, railways and defence besides robust growth in revenue from industrial batteries and electronics segment materially enhancing profitability margins and business profile and favourable industry prospects. HBL continues to enjoy strong liquidity position marked by sizeable, unencumbered cash balances and operational cash flow generation against low debt obligations.

However, ratings are constrained by exposure to volatile raw material prices, working capital intensive operations, elongated operating cycle despite improvement, foreign exchange fluctuation risk, environmental risk, investments in associated companies and intense competition in the industry.

CARE Ratings Limited (CARE Ratings) takes into cognisance, expansion of existing facilities by setting up infrastructure for electronic fuses, charging hubs, IT infrastructure alongside regular capex, which are expected to be funded through internal accruals.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly increasing total operating income (TOI) and its profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of over 18% on a sustained basis while maintaining a healthy financial risk profile.

Negative factors

- Large debt-funded capex or acquisition impacting credit metrics, specifically debt to earnings before interest, taxation, depreciation, and amortisation (EBIDTA) exceeding 1x.
- Declining TOI and profitability on a sustained basis.

Analytical approach: Consolidated approach. Consolidated financials of HBL Power Systems Limited and its subsidiaries have been considered owing to financial and operational linkages between parent and its subsidiaries. These entities commonly referred to HBL in the analysis. The list of entities consolidated is mentioned in Annexure-6.

Outlook: Stable. The 'Stable' outlook on HBL's ratings reflects CARE Ratings' expectation to maintain its healthy financial risk profile amidst steady cash flow generation and absence of large debt-funded capital expenditure (capex).

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Improved operational and financial performance in FY24 and 9MFY25
In FY24, HBL has lead acid batteries and Nickel-Cadmium (NiCad) batteries with capacity utilisation improved and stood at 68% and 85%, respectively, against 48% and 66%, respectively. On consolidated level, HBL recorded significant y-o-y growth by 63% to ₹2,239.68 crore in FY24 against ₹1,377.54 crore, considering strong demand for its overall product portfolio from sectors, including telecom, railways and defence, and electronics. The company's PBILDT margins significantly improved to 19.19% (PY: 11.64%), considering increased sales volume of industrial batteries resulting in cost optimisation and significant improvement in profitability in segments of defence and electronics with improved market share and good negotiating power. the company's profit after taxation (PAT) margins improved to 12.56% against 7.15% with low finance cost and improved profitability.

In 9MFY25, HBL (on consolidated level) recorded TOI of ₹1,510.88 crore with PBILDT margin of 21.96% and PAT of 15.35% against corresponding previous year TOI of ₹1,634.64 crore with PBILDT and PAT margins of 18.56% and 12.20%, respectively. Despite marginal reduction in revenue considering slow movement in telecommunication segment, significant improvement in revenue contribution from defence and aviation segment resulted in better profitability margins.

Diversified revenue profile
HBL's revenue is distributed in segments of industrial batteries, defence and aviation batteries, electronics and other products. Battery vertical remains a significant revenue generator for HBL, with electronics segment being the next major contributor. Although batteries continue to be the primary revenue source, HBL is actively working to reduce its reliance on the telecom sector. In FY24, electronic segment improved by 2.98x, considering increase in revenue from the railways sector for Train Collision Avoidance System (TCAS)/ Train Management system (TMS), and railway signalling works among others. In the coming years, from electronics segment driven by the rollout of more Vande Bharat trains implementation of Kavach systems, the company aims to diversify its revenue streams further.

Improved financial risk profile
The company's capital structure marked by debt-to-equity ratio and overall gearing ratio remaining below unity at 0.06x and 0.04x as on March 31, 2024, primarily considering healthy profits added to strong net worth and negligible debt at consolidated level. As on March 31, 2024, the company's adjusted net worth stood strong at ₹1,210.14 crore (PY: ₹939.66 crore). HBL's total debt consists of capex term loans and working capital limits. With low reliance on working capital limits and with prepayment of term loans ~₹50 crore resulting in low debt levels. The company's other debt coverage indicators, including interest coverage ratio and total debt to gross cash accruals (TD/GCA) stood at comfortable levels.

In current fiscal, HBL availed working capital limits of ₹375 crore , OD/WCDL limit of ₹350 crore and LC of ₹25 crore to execute the specific order secured from railways. Despite, increase in debt levels, financial risk profile of the company expected to remain healthy till the closure of these limits, by end of FY26. Regular capex and expansion of existing facilities will be funded through internal accruals generated from operation. Any un-envisaged debt-funded capex availed in the coming years resulting in deterioration in financial risk profile is a key monitorable factor from credit perspective.

Experienced promoters
HBL has been promoted by Dr A J Prasad in 1986. Dr Prasad has, over time, gained substantial experience in the company's business and has undertaken extensive research in battery and related segments. He has been associated with the industry for over three decades. He and Kavita Prasad (daughter)- Director, and a team of experienced professionals, manage the company's day-to-day operations. HBL has been a well-known name in industrial batteries manufacturing industry. The company also has established a good presence in electronics segment, and now has a diversified revenue base across multiple user industries. HBL caters requirement of core sectors, including telecom, railways, and defence. Battery vertical continues to be one of the major revenue spinners for the company followed by electronics.

Moderate order book position with repetitive orders from reputed clientele
As on February 28, 2025, HBL has order book of ₹3,174.35 crore (against ₹1,178.75 crore as on August 31, 2024), which includes order amounting to ₹1,522 crore from Chittaranjan Locomotive Works (CLW) for supply and installation of onboard TCAS equipment in 2200 locomotives with execution timeline of 12 months. With receipt of the said order, HBL's revenue visibility in near term improved.

HBL has consistently nurtured strong and positive relationships with its clients over the years. This has resulted in the company receiving repeat orders from its existing clientele. The company has been receiving repeat orders from reputed clientele such as Bharat Sanchar Nigam Limited, Indian railways, and Indus Towers Limited among others. Order book comprises TCAS/TMS, Nickle Cadmium and Sintered batteries, Silver Zinc, Submarine and Lithium Batteries, Valve Regulated Lead Acid Batteries, Railway signalling works and defence electronics among others.

Key weaknesses

Working capital intensive business
HBL operates in a working capital intensive industry marked by elongated operating cycle. It procures raw materials majorly from the domestic market while some of the raw materials are imported. To maintain adequate raw material and given integrated operations which involve multiple processes result in high inventory holding period. Backed by adequate cash generated from operating activities, the company's working capital cycle improved to 114 days in FY24 against 152 days for FY23. The company has been efficiently managing is working capital requirement through its generated cash flows and hence dependence on bank borrowings have been negligible.

Increase in investment in associate companies
HBL has entered an investment agreement with Tonbo Imaging, outlining a commitment to invest a sum of ₹150 crore. However, investment amount was limited due to rise in Tonbo Imaging's valuation. As on March 31, 2024, HBL invested ₹86.67 crore in Tonbo Imaging India Private Limited. Increase in investment in group/associate entities and the company's ability to generate commensurate benefits from this, may remain critical from the rating and credit perspective.

Potential risk associated with lead-recycling operations
Lead, a substance recognised for its high toxicity and environmental impact, serves as the fundamental raw material in battery production. Enterprises involved in this industry are compelled to adhere to stringent pollution control regulations. As environmental regulations continue to become more stringent and environmental advocacy gains prominence, businesses operating in this sector face inherent risks related to ecological considerations. Owing to HBL's extensive tenure within this industry, the company has consistently maintained compliance with all requisite standards.

Exposure to raw material price volatility
Raw material is the major cost to company which contributes ~50 to 60% of TOI. Major raw materials required for manufacturing are on Lead Calcium and Lead Sub-oxide which are volatile. Since lead comprises ~60% of battery costs, the company faces risk of price escalations due to market-driven and volatile raw material prices, which may potentially impact its profit margins.

Foreign exchange fluctuation risk
HBL imports some raw materials and exports products/services resulting exposure to foreign exchange risk. However, HBL is a net exporter, currency risk is mitigated through natural hedging. In FY24 HBL, On a consolidated level, gained on foreign exchange fluctuations amounting to ₹6.32 crore (against ₹8.85 crore in FY23).

Liquidity: Strong
The company's liquidity position is strong, supported by strong cash accruals of ₹321.45 crore in FY24 against a scheduled repayment obligation of ₹20.79 crore for FY25. Free cash and bank balance available as on March 31, 2024, stood at ₹234 crore. Positive cash flows from operations, considering efficient working capital cycle resulted in low reliance on working capital limits. Average utilisation of fund-based working capital limits are negligible for last 12 months ended August 2024. Its unutilised fund-based working capital lines provides sufficient cushion to meet short-term exigencies if.

Assumptions/Covenants: Not applicable

Environment, social, and governance risks:
Environmental
Lead manufacturing process is hazardous. HBL is committed to sustainability and environmental conservation. The company embraces a circular economy approach, minimising waste through reduction, reuse, and recycling across operations. Its production facilities are ISO certified and have maintained a zero-liquid discharge record for two decades.

Social
Developed comprehensive OSHA system to ensure safety of all employees. Training on safety measures in induction to all employees, including specific training such as handling hazardous materials, confined space entry, refresher training, on-site emergency training to tackle urgent situations.

Governance
Corporate Environment, Social, and Governance (ESG) Committee oversees development and implementation of our ESG strategies. It ensures that our ESG practices align with industry standards and drive sustainable growth, integrating responsible practices across our operations.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Electrical equipment	Other electrical equipment

Founded in 1986 by Dr A J Prasad, HBL is a publicly listed entity on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). HBL is engaged in manufacturing industrial batteries, electronics, and engineered products. HBL's products cater sectors, including telecom, UPS, defence, and railways in India. The company's presence spans continents, including North America, Europe, and Middle East, facilitated through its two subsidiaries - HBL America Inc. and HBL Germany GMBH. Other two active subsidiaries, Torquedrive Technologies Private Limited, is in manufacturing equipment and machinery, TTL Electric Fuel Private Limited, is in providing charging infrastructure for EVs. Subsidiaries contribute less than 5% of total TOI at consolidated level.

HBL – Consolidated:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	1,377.54	2,239.68	1,510.88
PBILDT	160.29	429.78	331.81
PAT	98.44	281.38	231.96
Overall gearing (times)	0.09	0.06	NA
Interest coverage (times)	24.48	33.22	35.56

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results

HBL – Standalone:

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	1,358.61	2,214.92	1,505.71
PBILDT	156.55	424.84	331.76
PAT	95.54	263.79	216.23
Overall gearing (times)	0.09	0.05	NA
Interest coverage (times)	25.13	34.21	39.54

A: Audited UA: Unaudited; NA: Not applicable; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	149.00	CARE A+; Stable
Fund-based - LT-Term Loan		-	-	28/02/2028	26.25	CARE A+; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	350.00	CARE A+; Stable / CARE A1+
Fund-based - ST-Factoring/ Forfeiting		-	-	-	95.00	CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	292.00	CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	84.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - ST-BG/LC	ST	292.00	CARE A1+	1)CARE A1+ (03-Oct-24)	1)CARE A1 (28-Aug-23)	1)CARE A1 (07-Oct-22)	1)CARE A2+ (06-Oct-21)
2	Fund-based - LT-Term Loan	LT	26.25	CARE A+; Stable	1)CARE A+; Stable (03-Oct-24)	1)CARE A; Positive (28-Aug-23)	1)CARE A; Stable (07-Oct-22)	1)CARE A-; Stable (06-Oct-21)
3	Fund-based - LT-Cash Credit	LT	149.00	CARE A+; Stable	1)CARE A+; Stable (03-Oct-24)	1)CARE A; Positive (28-Aug-23)	1)CARE A; Stable (07-Oct-22)	1)CARE A-; Stable (06-Oct-21)
4	Non-fund-based - ST-BG/LC	ST	84.00	CARE A1+	1)CARE A1+ (03-Oct-24)	1)CARE A1 (28-Aug-23)	1)CARE A1 (07-Oct-22)	1)CARE A2+ (06-Oct-21)
5	Fund-based - ST-Factoring/ Forfeiting	ST	95.00	CARE A1+	1)CARE A1+ (03-Oct-24)	1)CARE A1 (28-Aug-23)	1)CARE A1 (07-Oct-22)	1)CARE A2+ (06-Oct-21)
6	Fund-based - LT/ ST-Working Capital Limits	LT/ST	350.00	CARE A+; Stable / CARE A1+	-	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Working Capital Limits	Simple
4	Fund-based - ST-Factoring/ Forfeiting	Simple
5	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	HBL Germany GMBH	Full	Subsidiary
2	HBL America	Full	Subsidiary
3	Torquedrive Technologies Private Limited	Full	Subsidiary
4	TTL Electric Fuel Pvt Ltd	Full	Subsidiary
5	Naval Systems and Technologies	Moderate	Associate
6	Tonbo Imaging India Pvt Ltd	Moderate	Associate

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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