HBL Engineering Limited

October 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	156.50 (Reduced from 175.25)	CARE A+; Positive	Reaffirmed; Outlook revised from Stable
Long-term / Short-term bank facilities	350.00	CARE A+; Positive / CARE A1+	Reaffirmed; Outlook revised from Stable
Short-term bank facilities	671.00 (Enhanced from 471.00)	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in the outlook from 'Stable' to 'Positive for long-term bank facilities of HBL Engineering Limited (HBL) reflects company's improved financial performance in Q1FY26 (FY refers to April 01 to March 31) with revenue growth of ~20% compared to corresponding quarter of previous fiscal and healthy profitability margins. This is primarily considering commencement of supply of Kavach systems to Chittaranjan Locomotive works (CLW) post receipt of approval for version 4.0 (V 4.0) from Research Designs and Standards Organisation (RDSO), growth in revenue from exports and defence segments. In addition to regular order book, new orders for installation of Kavach systems on locomotives and trackside upgradation provides revenue visibility for the medium-to-long term. CARE Ratings Limited (CareEdge Ratings) expects the company to maintain this positive momentum and improve its operational and financial performance in coming years backed by healthy demand for defence and industrial batteries segments. HBL's financial risk profile is expected to remain healthy, supported by its strong net worth position despite incremental requirements on working capital front for execution of CLW order.

CareEdge Ratings notes that, though FY25 revenue is marginally lower than projected, due to softness in telecom segment and delay in RDSO approval, its profitability remained healthy due to better margins on industrial batteries, Nickel-Cadmium (Ni-Cad) and Lead acid batteries, which find application in defence and industrial purpose and increased contribution from export revenue.

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, healthy financial risk profile with negligible reliance on external debt funding, investment in associate entities 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, foreign exchange fluctuation risk, environmental risk, and intense competition in the industry.

CareEdge Ratings further considers expansion of existing facilities by setting up Lithium-ion battery division, 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

- Improved total operating income (TOI) over and above ₹2,800 crore 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 Engineering Limited and its subsidiaries have been considered owing to financial and operational linkages between parent and its subsidiaries. These entities are commonly referred to HBL in the analysis. List of consolidated entities is mentioned in Annexure-6.

Outlook: Positive

CareEdge Ratings expects HBL to report healthy growth in its TOI, supported by favourable demand prospects for its diversified product portfolio and healthy order book. The company is also likely to sustain its operating margins in line with FY25, aided by

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

its product mix and established market presence. With a prudent capital structure and comfortable liquidity position, HBL's financial risk profile is expected to remain healthy. However, the outlook may be revised to 'Stable' if revenue growth and profitability fall short of expectations, impacting the overall financial performance.

Detailed description of key rating drivers:

Key strengths

Stable financial performance in FY25
In FY25, HBL has lead acid and Ni-Cad batteries with capacity utilisation, which stood satisfactory at 54% and 90%, respectively, against 68% and 85%, respectively. On consolidated level, HBL recorded marginal decline in revenue from ₹2,240 crore in FY24 to ₹1,978 crore in FY25 due to unforeseen delay in approval from RDSO towards CLW order and shift in market dynamics with telecom segment gradually moving to Lithium ion. However, same has been offset by growth in Ni-Cad battery segment and HBL's diversified product profile offering to various industries, enabling HBL to mitigate the risk to major extent resulting in marginal decline, but profitability remained healthy. The company's PBILDT margin improved to 20.35% (PY: 19.19%), primarily driven by higher volumes and better sales realisation in the industrial battery segment, which enabled better cost absorption and operational efficiency. Additionally, exports grew by 40%, supported by the addition of new original equipment manufacturer (OEM) clients, contributing to enhanced profitability. In line with improved operating margin, net margin also improved to 13.98% against 12.52% supported by low finance cost.

Improved financial performance in Q1FY26
In Q1FY26, HBL reported TOI of ₹621.41 crore (PY: ₹525.5 crore), reflecting y-o-y growth of 18% at the back of increase order book position from railways. In line with TOI, PBILDT and profit after taxation (PAT) margins improved to 34.04% and 23.06%, respectively, supported by strong profitability from the railway segment (including Kavach order execution) and export markets. The decline in telecom segment contribution, was offset by higher-margin revenue from exports and railway businesses, underscoring effective portfolio diversification and margin management.

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. HBL has been strategically reducing reliance on the telecom segment, with its revenue share declined in FY25, while focusing on higher-margin products such as Ni-Cad and lithium-ion batteries, alongside expanding exports to the Middle East, Asia Pacific (APAC), Africa, and Europe. Revenue visibility is further supported by multi-year orders from the railway sector, including Kavach systems, Train Collision Avoidance System (TCAS), Train Management System (TMS), and signalling works. In FY25, Electronics segment business declined by ~36% considering shift in customer preference in telecom segment and hold of TCAS tenders from railways. 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 0.03x and 0.07x as on March 31, 2025, primarily considering healthy profits added to strong net worth and negligible debt at consolidated level. As on March 31, 2025, the company's adjusted net worth stood strong at ₹1,346.52 (PY: ₹1,089.56 crore). HBL's total debt consists of capex term loans and working capital limits. With low reliance on working capital limits and gradual repayment of term loans 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 FY25, HBL availed working capital limits of ₹375 crore, overdraft (OD)/working capital demand loan (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 operations. 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.

Investment in associate companies
As on March 31, 2025, the company's total investment in associate entities, Tonbo Imaging India Private Limited and Naval Systems and Technologies Private Limited, stood at ₹86.71 crore, with both entities reporting net profits. While these associates continue to contribute positively to the HBL's overall portfolio, incremental strategic investments proposed to be funded through internal accruals and the company's ability to derive commensurate returns from such investments will remain key monitorable from a credit perspective.

Experienced promoters
HBL was promoted by Dr A J Prasad in 1986. Over time, Dr A J Prasad 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.

Improved order book position with repetitive orders from reputed clientele
As on July 31, 2025, HBL has order book of ₹4,479 crore (against ₹1,178.75 crore as on August 31, 2024), which includes high-value order from CLW for supply and installation of onboard TCAS equipment in 2200 locomotives with execution timeline of 12 months. With receipt of the said order and also increase in repetitive orders, HBL's revenue visibility in the near term is expected to improve.

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, Ni-Cad 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 elongated to 147 days in FY25 against 114 days in FY24 primarily considering delay in approvals for Kavach resulted in higher inventory in the year end. Post-approval, the company has started liquidating this inventory, driving growth in revenue as reflected in Q1FY26. The company has been efficiently managing the working capital requirement through its generated cash flows and hence dependence on bank borrowings have been negligible.

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, being a net exporter, the company's exposure is largely mitigated as foreign currency inflows are routed through Exchange Earners' Foreign Currency account (EEFC account), minimising exchange rate risks, which is reflected in the forex gains reported in FY25. In FY25, on a consolidated level, HBL gained on foreign exchange fluctuations amounting to ₹10.39 crore (against ₹6.32 crore in FY24).

Liquidity: Strong

The company's liquidity position is strong, supported by strong cash accruals of ₹322.71 crore in FY25 against a scheduled repayment obligation of ₹22.27 crore (including short term lease liabilities of Rs.4.93 crore) for FY26. Free cash and bank balance available as on March 31, 2025, stood at ₹127.67 crore. Positive cash flows from operations, considering efficient working capital cycle resulted in low reliance on working capital limits. Average utilization of fund-based working capital limits is negligible for last 12 months ended July 2025. Its unutilized fund-based working capital lines provide sufficient cushion to meet short-term exigencies, if any.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks:

Environmental
Lead manufacturing process is hazardous. HBL is committed to sustainability and environmental conservation. The company embraces a circular economy approach through implementation of a zero-liquid discharge systems, advanced waste recycling mechanisms, and the use of eco-friendly materials. HBL invested in solar power infrastructure and biomass-based energy

solutions to reduce our dependence on fossil fuels. These initiatives have not only helped us lower our greenhouse gas emissions but also improved our energy efficiency across operations.

Social

Strict adherence to safety standards such as ISO 14001:2015 and ISO 45001:201. 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 ESG strategies. It ensures that our ESG practices align with industry standards and drive sustainable growth, integrating responsible practices across HBL operations.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Consolidation and Combined Approach
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 electric vehicles (EVs). Subsidiaries contribute less than 5% of total TOI at consolidated level.

HBL- Consolidated:

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	2,239.68	1,977.59	621.41
PBILDT	429.78	402.44	211.51
PAT	280.35	276.48	143.27
Overall gearing (times)	0.06	0.05	NA
Interest coverage (times)	33.22	30.91	33.31

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

HBL – Standalone:

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	2,214.92	1,956.56	607.33
PBILDT	424.84	400.73	208.23
PAT	263.79	267.50	139.73
Overall gearing (times)	0.05	0.04	NA
Interest coverage (times)	34.21	34.08	34.42

A: Audited UA: Unaudited; NA: Not available; 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+; Positive
Fund-based - LT-Term Loan		-	-	28/02/2028	7.50	CARE A+; Positive
Fund-based - LT/ ST-Working Capital Limits		-	-	-	350.00	CARE A+; Positive / CARE A1+
Fund-based - ST-Factoring/ Forfeiting		-	-	-	95.00	CARE A1+
Non-fund-based - ST-BG/LC		-	-	-	492.00	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 2025-2026	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
1	Non-fund-based - ST-BG/LC	ST	492.00	CARE A1+	-	1)CARE A1+ (31-Mar-25) 2)CARE A1+ (03-Oct-24)	1)CARE A1 (28-Aug-23)	1)CARE A1 (07-Oct-22)
2	Fund-based - LT-Term Loan	LT	7.50	CARE A+; Positive	-	1)CARE A+; Stable (31-Mar-25) 2)CARE A+; Stable (03-Oct-24)	1)CARE A; Positive (28-Aug-23)	1)CARE A; Stable (07-Oct-22)
3	Fund-based - LT-Cash Credit	LT	149.00	CARE A+; Positive	-	1)CARE A+; Stable (31-Mar-25) 2)CARE A+; Stable (03-Oct-24)	1)CARE A; Positive (28-Aug-23)	1)CARE A; Stable (07-Oct-22)
4	Non-fund-based - ST-BG/LC	ST	84.00	CARE A1+	-	1)CARE A1+ (31-Mar-25) 2)CARE A1+ (03-Oct-24)	1)CARE A1 (28-Aug-23)	1)CARE A1 (07-Oct-22)
5	Fund-based - ST-Factoring/ Forfeiting	ST	95.00	CARE A1+	-	1)CARE A1+ (31-Mar-25) 2)CARE A1+ (03-Oct-24)	1)CARE A1 (28-Aug-23)	1)CARE A1 (07-Oct-22)

6	Fund-based - LT/ ST-Working Capital Limits	LT/ST	350.00	CARE A+; Positive / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (31-Mar-25)	-	-

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 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	Wholly owned subsidiary
2	HBL America	Full	Wholly owned subsidiary
3	Torquedrive Technologies Private Limited	Full	Wholly owned 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: CareEdge 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:
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