

OCTOBER 07, 2015

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF HBL POWER SYSTEM LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	391.77 (reduced from 450.76)	CARE A- (Single A Minus)	Reaffirmed
Short term Bank Facilities	769.80 (enhanced from 684.80)	CARE A2+ (A Two Plus)	Reaffirmed
Total Facilities	1161.57 (Rupees One Thousand One Hundred and Sixty One crore and Fifty Seven lakh only)		

Rating Rationale

The ratings assigned to the bank facilities of HBL Power System Limited (HBL) continues to take into account the experienced promoters, established track record of operations, continued financial support from the holding company in the form of unsecured loans, moderate order book position with telecom and defense orders in pipeline, revival of telecom sector and diversified revenue profile. The ratings also take into account the growth in total operating income, improved sales realizations and PBILDT margin in FY15 (refers to the period April 01 to March 31) albeit decline in PAT levels. The ratings are, however, constrained by the increasing raw material prices, leveraged capital structure, weak debt coverage indicators and elongated operating cycle.

The ability of the company to increase its revenue and profit levels, improve its capital structure and working capital cycle are the key rating sensitivities.

Background

HBL Power System Ltd was incorporated in 1986 by Dr AJ Prasad. The company focuses on engineering products/services with the main line of business activity as manufacturing of industrial batteries and electronic equipments. HBL is one of the leading players in the lead acid battery segment. In FY15, with the strong revival of the telecom sector and the introduction of 4G, telecom sector has remained the major revenue contributor for HBL. The company has increased its focus on defense and railways and has been diversifying its business into other engineering and electronic products/services, green technology products etc.

During FY15, HBL registered net sales of Rs.1326.42 crore (Rs.1269.86 crore in FY14) with PAT of Rs.14.62 crore (Rs.45.01 crore in FY14). Furthermore in Q1FY16, HBL registered net sales of Rs.304.21 crore with PAT of Rs.6.71 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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