



HBL

HBL Power System Limited

18th October, 2023



India's Best Performing and Most Customer Centric PMS

Established in 1983, HBL Power System Ltd has emerged as a prominent player in the realm of battery manufacturing and servicing, catering to various industries and sectors. The company's diverse business verticals showcase its commitment to innovation and excellence, making it a formidable presence in the market.

INDUSTRIAL BATTERIES: Meeting the Energy Demands of the Future: In the age of rapid technological advancement, HBL Power System Ltd has witnessed a surging demand for its industrial batteries, particularly from the telecom sector, driven by the widespread rollout of 5G technology. The company's significant achievements include executing substantial orders for 12V-VRLA batteries, contributing to electrification projects under the ambitious Bharat Net initiative. Moreover, HBL Power System Ltd achieved a remarkable milestone by securing a single, substantial order valued at H31 crore for Ni-Cd batteries, earmarked for the prestigious Indradhanush Gas Grid Limited (IGGL) pipeline project in the Northeast. International recognition followed suit, with export orders flowing in for supplies to renowned entities such as the New York City Transit (NYCT) and Siemens Via Rail in Canada.

DEFENCE: Powering National Security: HBL Power System Ltd plays a vital role in supporting national defense by completing the type approval process for Type-II batteries designed for HDW German (Shishumar) class submarines. The company secured manufacturing clearance for these crucial components. Notably, HBL Power System Ltd stepped up to the task of developing and supplying thermal batteries to the Advanced Systems Lab (ASL) of DRDO for the Agni Prime Strategic Missile, receiving a production order that further underscores its significance in defense technology.

ELECTRONICS: Revolutionizing Transportation and Safety: In the electronics realm, HBL Power System Ltd continues to break new ground. The company secured four substantial contracts for the deployment of Kavach TCAS (Train Collision Avoidance System) in vital rail routes, cumulatively valued at H807 crore. This cutting-edge technology is poised to enhance railway safety significantly. Furthermore, HBL Power System Ltd secured a contract for the supply of 46 Kavach TCAS systems to the Integral Coach Factory, reinforcing its commitment to safety in train travel. The deployment of the Train Management System (TMS) in the Sealdah Division of Eastern Railway is also in progress, signaling further advancements in rail technology. Field trials for the Electronic Interlocking System are currently underway, further cementing HBL Power System Ltd's reputation as a pioneer in the electronics sector.

HBL Power System Ltd's journey is a testament to its unwavering dedication to providing innovative energy solutions that have left an indelible mark on industrial batteries, defense technology and electronics. As we move into an era characterized by rapid technological advancements and evolving energy demands, the company stands at the forefront, ready to power a brighter and more secure future. With a commitment to quality, a portfolio of groundbreaking products, and a global presence, HBL Power System Ltd remains a driving force in shaping the energy landscape and enhancing the safety and efficiency of various sectors.

Stock Data	
CMP(18-10-2023)	288.45
52 Week High/Low	310.95/86.15
Face Value	1
Market Cap (In Crs)	8001
NSE	HBLPOWER
BSE	517271
Bloomberg	HBPS:IN
Sector	Batteries

Shareholding Pattern (in %)		
	Jun-23	Sep-23
Promoter	59.10%	59.10%
FII	2.63%	2.23%
DII	014%	0.08%
Public	38.14%	38.58%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-2.58%	11.09%	13.63%
HBLPOWER	8.56%	192.25%	148.56%

Key Ratios	
P/E	62
PEG Ratio	2.89
Debt To Equity	0.09
ROE	10.70%
ROCE	13.70%
Dividend Yield	0.16%

Q1 FY 24 Result Update

Q1 FY24 Result Comparison (In Rs Cr)					
	Q1 FY24	Q4 FY23	Q1 FY23	QOQ	YOY
Revenue	467	403	320	16%	46%
Operating Profits	78	45	35	67%	114%
Profit Before Tax	69	36	29	92%	138%
Net Profit	52	35	20	49%	160%
EPS	1.87	1.26	0.72	48%	160%

Result Highlights

HBL Power has released its Q1 FY24 results, which showcase robust growth and impressive financial performance. The key takeaways from the results are summarized as follows:

Strong Revenue Growth: Revenue for Q1 FY24 stands at Rs. 467 Cr, reflecting a significant surge of 46% YoY when compared to Q1 FY23's Rs. 320 Cr. Sequentially, the revenue also exhibited an increase of 16% from Q4 FY23's Rs. 403 Cr. This growth underscores the company's increasing market share and the success of its strategies in expanding its customer base and product offerings.

Operational Efficiency: The operating profits highlight the company's focus on optimizing operational efficiency and cost containment. For Q1 FY24, operating profits reached Rs. 78 Cr, representing a staggering YoY increase of 114%. On a QoQ basis, the profits have shown an impressive jump of 67% from Q4 FY23's figure of Rs. 45 Cr.

Pre-Tax Profits Show Positive Trajectory: Profit before tax (PBT) for the quarter has been reported at Rs. 69 Cr, marking an outstanding YoY growth of 138%. Compared to the preceding quarter's Rs. 36 Cr, the PBT exhibited a 92% increase, reinforcing the firm's profitability potential.

Net Profit Ascends: One of the most significant indicators of HBL Power's financial health is its net profit. For Q1 FY24, the net profit amounted to Rs. 52 Cr, demonstrating a commendable 160% YoY increase from Rs. 20 Cr in Q1 FY23. The QoQ growth also remained robust, with a 49% increment from Q4 FY23's net profit of Rs. 35 Cr.

Earnings Per Share (EPS) Growth: The EPS for the quarter was recorded at 1.87, a remarkable 160% YoY growth from the previous year's 0.72. Sequentially, the EPS has increased by 48% from the 1.26 reported in Q4 FY23. This performance is a testament to the company's commitment to enhancing shareholder value.

In summary, HBL Power's Q1 FY24 results emphasize the company's strong growth trajectory and its ability to maintain profitability amidst market fluctuations. These figures depict a firm that is on an upward trend in terms of revenue, profitability, and shareholder returns. Investors and stakeholders can be optimistic about the future prospects of HBL Power, given its consistent financial performance and growth-oriented strategies.

HBL Power Investor's Presentation - Q1 FY24 Review

Sustained Technological Excellence: HBL Power continues to maintain unwavering commitment to in-house technology development, setting the company apart and affording it autonomy to export and sell innovations. The robust physical and intellectual infrastructure stands as a testament to the company's readiness for consistent growth. In India, HBL Power proudly holds #1 or #2 market positions in all product categories, except for telecom tower batteries, where it is ranked #3. The strategic expensing of product development costs has, in part, contributed to recent lower profitability, a trend that is poised to reverse in the near future.

Financial Resilience and Credibility: The company's financial metrics reinforce its stability and credibility. With a Long-term _A(Positive) credit rating by Care Edge and Short Term A1, HBL Power has met all banking obligations for four decades without any rescheduling. Remarkably, the debt is currently negative, and the Total Debt / Net worth ratio is anticipated to reach approximately 0.2 by the end of FY 24. This projection factors in substantial investments in capex (Rs 90 crores) and Tonbo (Rs 150 crores) and borrowings for working capital to fuel expansion. Upholding the commitment to shareholders, the dividend policy aims to deliver a 5% annual increase.

Strategic Focus and Vision: In the forthcoming years, a decrease in R&D expenditure alongside an increase in working capital is anticipated. The substantial capex incurred during FY 24 is not expected to be a recurring expense. The diligent avoidance of risk associated with large Capex-intensive projects ensures minimal financial volatility. HBL Power's vision is to evolve into a high-value, technology-driven enterprise, akin to the revered Mittelstand firms of Germany. The company is steadfast in its mission to harness engineering talent and bridge technology gaps, positioning itself on the trajectory to become a beacon of innovation, reliability, and financial stability in the industry.

Macro Economic Boosts for HBL Products: HBL's batteries serve as crucial replacements for essential infrastructure, rendering their demand less susceptible to economic fluctuations, ensuring stability. Electronic signaling remains a top Railway investment priority, enhancing track utilization and safety. The growing emphasis on defense indigenization and the imperative shift towards electric mobility to enhance energy security and curtail petroleum imports, particularly for heavy-duty trucks, amidst rising diesel prices, provide substantial tailwinds for HBL's products.

Business Segmented By Expected Growth Rate

Industrial Batteries Low Growth Decent EBITDA	Defence & Aviation Batteries Decent Growth Good EBITDA	Industrial Electronics Rapid Growth Good EBITDA
All Lead Batteries	Batteries for Torpedoes, Submarines and other underwater applications	RAIL SIGNALING ELECTRONICS Kavach, Electronic Interlock, TMS
All Nickel Batteries except Aviation	Nickel Aviation Batteries	DEFENCE ELECTRONICS : Electronic Fuzes for Ammunition
Lithium Batteries for Small Energy Storage Systems and E –Trucks	Lithium Missile Batteries	INDUSTRIAL ELECTRONICS : Motors & Controllers for Electric Trucks
R&D currently in progress. Results may appear only in FY 2027		
Advanced Chemistry Stationary Batteries for B2B Energy Storage Systems	State of the Art batteries for Torpedoes. Lithium batteries for defence and aviation.	Power Electronics needed for B2B Energy Storage Systems

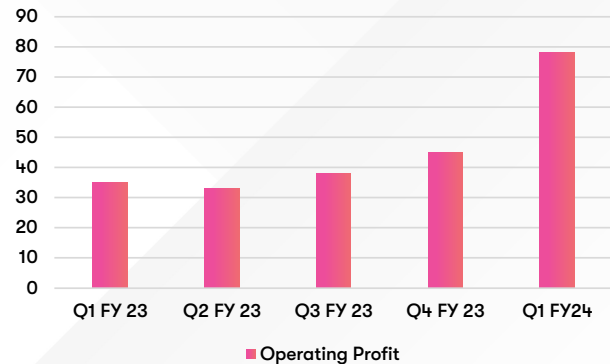
Potential Sales By Business Segment, Over Next 3 Years

YEAR	Traditional Low Growth Industrial Batteries	Established Moderate Growth Defence & Aviation Batteries	Emerging Rapid Growth FY 24, Plus Industrial Electronics	TOTAL SALES	EBITDA	EBIDTA %
FY 23	1027	205	118	1350	167	12
Capex FY 24	37	18	35	Excluding equity Investment in Tonbo Imaging Ltd of 150 cr		
FY 24	1060	220	470	1750	262	15
FY 25	1100	250	950	2300	414	18
FY 26	1160	300	1440	2900	522	18

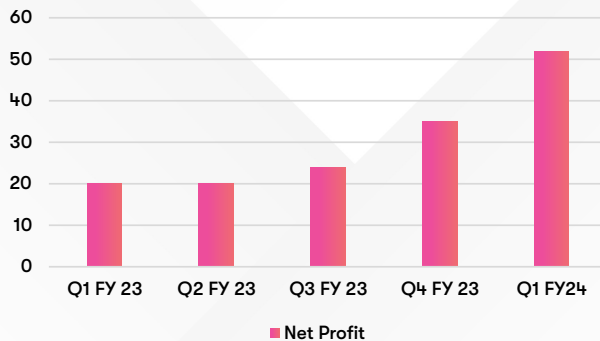
Revenue



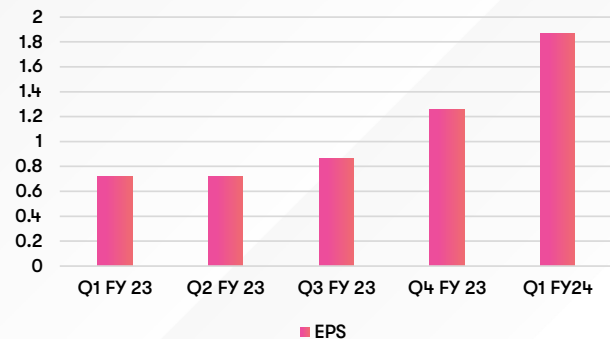
Operating Profits



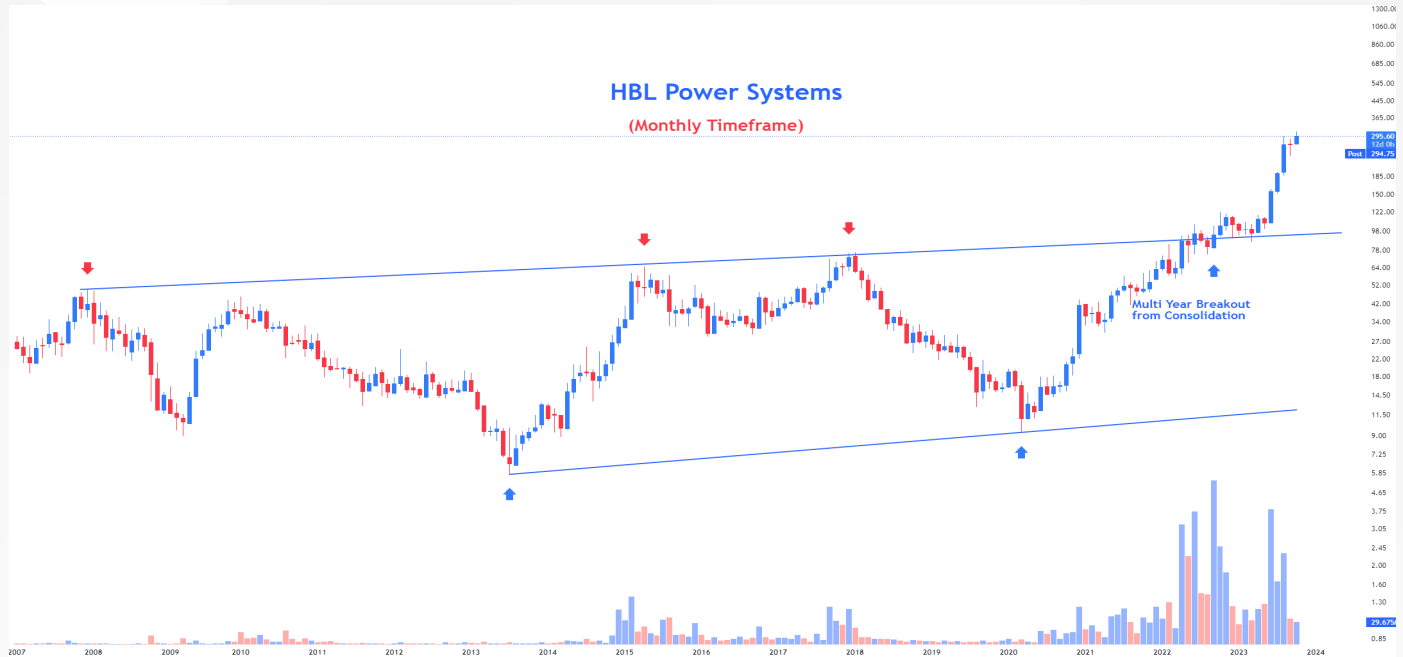
Net Profit



EPS



Technical Outlook



HBL Power has experienced a multi-year breakout with significant trading volumes on a monthly time frame, and it is anticipated to sustain its bullish momentum. The weekly RSI of HBL Power Systems is currently above 60, signifying robust buying interest and suggesting the continuation of a bullish momentum in the stock. This indicates a positive outlook for potential investors.

10 Days MA > 20 Days MA > 50 Days MA > 100 Days MA > 200 Days MA indicates a strong sustainable buying in this counter.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	290.77	289.52
10	289.12	286.59
20	274.38	279.52
50	266.43	257.31
100	210.17	221.67
200	155.84	179.10

Pivot Levels : FIBONACCI		
R1 306.47	Pivot 292.73	S1 279.00
R2 314.95		S2 270.52
R3 328.68		S3 256.78

Relative Strength Index (RSI)	Daily	Weekly
	57	78.07

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