



RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs773	214.4	Hold	Rs1200	55%

\*as on 09th Feb, 2026

#### About the Company:

HBL Engineering Ltd (HBL), (formerly known as HBL Power Systems Ltd) is engaged in the business of manufacturing batteries and electronics power systems and products. It has more than 30 years of experience in the field of specialized batteries and Data Centre (DC) power systems. The first product selected and successfully developed by the company were aircraft batteries which eventually made it offer the world's widest range of specialized batteries. The products include batteries (including lead acid batteries, Nickel-Cadmium (Ni-Cd) batteries) and specialized defence batteries, power electronics, renewable energy and engineering solutions. HBL provides battery and engineering solutions and services to many of the world's leading system integrators, EPC's, railway, aviation and defence companies, Indian Airforce, Indian Navy and MOD labs. The company has gradually moved into other businesses and markets utilizing its batteries offerings, such as industrial electronics, defence electronics, and railway electronic signaling. Dr. A.J Prasad is the Chairman and Managing Director of the company.

#### Results: Quick Glance:

- The company has reported net sales of Rs8740mn as compared to Rs4506mn in the same quarter last year
- The Ebitda margin for the quarter under review stood at 34.6% as compared to 20.7% in the corresponding quarter last year
- The net profit came in at Rs2206mn as against Rs646mn in the same quarter last year
- EPS for the quarter under review stood at Rs7.95 as compared to Rs2.31 in the corresponding period last year
- On the segmental front, industrial batteries reported growth of 2.2% while the defence & aviation batteries reported a drop of 28.1% on a y-o-y basis. Electronics sales for the quarter came in at Rs4733mn
- For 9MFY26, the revenues came in at Rs26987mn as compared to Rs14916mn; growth of 80.9% while the PAT stood at Rs7512mn as against Rs2320mn. The EPS came in at Rs27.07 as against Rs8.30 in 9MFY25
- The Board has declared a dividend of Rs2 per equity share of FV of Rs1 each for FY26

#### Financials:

Performance (Q3FY26)									
Q3FY26 Result (Rs mn)	Dec-25	Dec-24	y-o-y	Sept-25	q-o-q	9MFY26	9MFY25	y-o-y	FY26E
<b>Total Revenue</b>	8740	4506	94.0%	12229	(28.5%)	26987	14916	80.9%	32646
<b>EBITDA</b>	3024	936	-	5441	(44.4%)	10383	3126	-	11263
<b>Other Income</b>	105	15	-	158	(33.2%)	460	193	-	567
<b>Interest</b>	26	47	(44.3%)	35	(25.1%)	124	93	32.9%	151
<b>Depreciation</b>	123	112	9.8%	122	1.1%	360	333	8.1%	480
<b>Exceptional Items</b>	(10)	0	-	(239)	-	(279)	1	-	(279)
<b>Share of Asso.+Min Int.</b>	31	63	-	0	-	51	217	-	42
<b>Tax</b>	795	208	-	1331	(40.2%)	2619	791	-	2910
<b>Net Profit</b>	<b>2206</b>	<b>646</b>	-	<b>3873</b>	<b>(43.0%)</b>	<b>7512</b>	<b>2320</b>	-	<b>8051</b>

#### Outlook and Recommendations:

HBL continues to consistently report a good set of numbers for the quarter as well as 9MFY26. The revenue growth of ~94.0% on a y-o-y basis appears to be on account of a low base of last year. Despite a low base of last year, the electronics business has been performing exceptionally well with reported revenues of Rs4733mn in Q3FY26 reflecting a growth of ~9.98x. In one the latest press release (Jan'26), on account of cancellation of certain loco orders (related to CLW Kavach tenders) for ~6300 units wherein HBL wasn't qualified as the L1; the total loco demand stands reduced to ~12,129 units; out of this the Management expects loco business of at least Rs10bn in FY27E with certain spill-overs towards FY28E.

### Outlook and Recommendations (contd.):

On the Kavach station business, the company already has orders in hand worth Rs9bn to be invoiced in FY27E and additional Rs4bn in FY28E. The Management envisions additional tenders for FY27E of which some are anticipated to be delivered in FY27E itself. In totality, for FY26E the Management anticipates Kavach sales to be worth Rs18.80bn. In addition to this, HBL has received an order worth Rs5750mn from Integral Coach Factory, Chennai in order to supply and on-board Kavach equipment (version 4.0). During the quarter under review, the Board has approved the proposal of investments for entering into definitive agreements for (i) forming a JV with Cochin Shipyard Ltd (HBL: 60% share) to develop electric mobility and energy storage solutions in marine space, (ii) equity investment in Yaanendriya Pvt. Ltd, a start-up in Bengaluru and (iii) equity investment in Xalten Systems Pvt. Ltd, a start-up in Kochi. On the financial front, out of the total exceptional item worth Rs279.3mn; Rs236.5mn pertains to Q2FY26 which was directed towards the unrecoverable costs incurred for development of high-performance batteries for torpedoes. Furthermore, pursuant to the changes to the new labour code, Rs148.1mn is factored under the employee expenses; excluding the same, the Ebitda margins would have been at ~36% for the quarter under review.

As on date, Kavach has been deployed and implemented on more than 2200rkm, with Kavach Version 4.0 covering 1306.3rkm across 5 railway zones inclusive of corridors such as Delhi-Mumbai and Delhi-Howrah. HBL had the first mover advantage in procuring the SIL 4 certification and upgrading from version 3.2 to version 4.0. At the industry level, covering the entire rail network with TCAS/Kavach will take a longer tenure and thereafter the Kavach sales for the company would also eventually start fading off. The decline in Kavach sales/orders then would be compensated via other business segments such as electronic fuses/TMS/defence related products and batteries (high margin business). The TCAS business seems to be getting completed in the next 3-4 quarters and will begin to lose steam; however, the R&D team at HBL is continuously striving to look at other segments for growth including defence, aviation batteries, electronic fuses, etc. The R&D spends for the high-performance batteries for torpedoes seem to be a promising business going forward, and the related developmental costs were already reflected in the quarterly results. HBL has always been ahead of the curve in terms of developing and offering world class products to the nation and is consistently striving to stay ahead of the curve and thus we maintain a hold view for a target of Rs1200.


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