

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

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 of 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.

DISCLAIMERS AND DISCLOSURES-

Progressive Share Brokers Pvt. Ltd. and its affiliates are a full-service, brokerage and financing group. Progressive Share Brokers Pvt. Ltd. (PSBPL) along with its affiliates are participants in virtually all securities trading markets in India. PSBPL started its operation on the National Stock Exchange (NSE) in 1996. PSBPL is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE) for its stock broking services and is Depository Participant with Central Depository Services Limited (CDSL) and is a member of Association of Mutual Funds of India (AMFI) for distribution of financial products.

PSBPL is SEBI registered Research Analyst under SEBI (Research Analysts) Regulations, 2014 with SEBI Registration No. INH000000859/Research Analyst BSE Enlistment No. 5049. PSBPL hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in last five years. PSBPL has not been debarred from doing business by any Stock Exchange/SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

PSBPL offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by Progressive Share Brokers Pvt. Ltd. (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company (s) covered in this report:-

- PSBPL or its associates financial interest in the subject company: NO
- Research Analyst (s) or his/her relative's financial interest in the subject company: NO
- PSBPL or its associates and Research Analyst or his/her relative's does not have any material conflict of interest in the subject company. The research Analyst or research entity (PSBPL) has not been engaged in market making activity for the subject company.
- PSBPL or its associates actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report: NO
- PSBPL or its associates may have received any compensation including for brokerage services from the subject company in the past 12 months. PSBPL or its associates may have received compensation for products or services other than brokerage services from the subject company in the past 12 months. PSBPL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Subject Company may have been client of PSBPL or its associates during twelve months preceding the date of distribution of the research report and PSBPL may have co-managed public offering of securities for the subject company in the past twelve months.
- The research analyst has served as officer, director or employee of the subject company: NO
- Registration granted by SEBI and certification from NISM is in no way guarantee performance of the intermediary or provide any assurance of returns to investors

PSBPL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our sales people, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses (if any) may make investment decisions that may be inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution publication, availability or use would be contrary to law or regulation or which would subject PSBPL or its group companies to any registration or licensing requirement within such jurisdiction. If this document is sent or has reached any individual in such country, especially, USA, the same may be ignored. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of PSBPL. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of PSBPL or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Terms & Conditions:

This report has been prepared by PSBPL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of PSBPL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and its at the discretion of the clients to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. PSBPL will not treat recipients as customers by virtue of their receiving this report.

Registered Office Address:

Progressive Share Brokers Pvt. Ltd,
122-124, Laxmi Plaza, Laxmi Indl Estate,
New Link Rd, Andheri West,
Mumbai-400053, Maharashtra
www.progressiveshares.com | Contact No.:022-40777500

Compliance Officer:

Ms. Mamatha Poojari,
Email: compliance@progressiveshares.com,
Contact No.:022-40777500

Grievance Officer:

Email: grievancecell@progressiveshares.com