Sector: Other Industrial Products **RESULT REVIEW Q1FY27** **Declared On: 08 Aug 2026**

HBL Engineering Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs691	191.5	Hold	Rs900	30%

**as on 12th Aug, 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 Rs6380mn as compared to Rs6018mn in the same quarter last year
- The Ebitda margin for the quarter under review stood at 23.0% as compared to 31.8% in Q1FY26
- The net profit came in at Rs1091mn as against Rs1434mn in the same quarter last year
- EPS for the quarter under review stood at Rs3.95 as compared to Rs5.17 in the corresponding period last year

Financials:

Performance (Q1FY27)							
Q1FY27 Result (Rs mn)	**Jun-26**	**Jun-25**	**y-o-y**	**Mar-26**	**q-o-q**	**FY26**	**FY27E**
Total Revenue	6380	6018	6.0%	6041	5.6%	33028	28289
EBITDA	1467	1919	(23.5%)	747	96.5%	11130	7638
Other Income	206	196	4.7%	130	57.8%	590	607
Interest	54	64	(14.8%)	23	-	147	202
Depreciation	124	115	7.7%	146	(15.1%)	506	524
Exceptional Items	0	(31)	-	(33)	-	(313)	0
Tax	385	487	(20.8%)	123	-	2730	1977
Net Profit	**1091**	**1434**	**(23.9%)**	**637**	**71.3%**	**8145**	**5471**

Outlook and Recommendations:

The company has reported a decent quarter with an overall topline growth of ~6.0%; mainly due to the segmental mix. On the segmental front, industrial batteries grew by 7.3% while the defence & aviation batteries de-grew by 48.5% on a y-o-y basis. Electronics sales for the quarter came in at Rs2273mn. A marginal uptick on the topline led to a reduction both at the gross and Ebitda margins for the quarter under review which came in at ~51.5% and ~23.0% respectively; however, the Ebitda margins have seen a sequential improvement of ~1060bps. The profits de-grew by ~23.9% on a y-o-y basis. Recently, the company received an (i) order worth Rs240mn from Integral Coach Factory (ICF), Chennai for supply, installation, testing and commissioning of on-board Kavach loco equipment (Ver 4.0), (ii) received an LoA from Chittaranjan Locomotive Works worth Rs17.14bn for supply, installation, testing and commissioning of on-board Kavach loco equipment (Ver.4.0). This essentially highlights that the Kavach related opportunities are translating into order wins/contracts for the company which is also supported by the continuous focus laid by the Indian Railways (IR) towards faster implementation and deployment of Kavach equipments; this further solidifies and positions the company to achieve benefits from the same from a medium to long term perspective.

Outlook and Recommendations (contd.):

In May 2026, the IR sanctioned projects worth Rs3620mn to expand the Kavach safety systems across the Northern railway. The IR has spent almost Rs38.75bn on Kavach related developments upto June 2026. As of 31st Jul'26, Kavach 4.0 was commissioned across 2633 rkm inclusive of 1423 rkm (Delhi-Mumbai) and 1210 rkm (Delhi-Howrah). There are developmental works under progress for Kavach 5.0 which would function as an advanced train safety and signalling system designed for high density local train services. The IR would continue to expand the Kavach coverage while investing in track maintenance, signalling upgrades and advanced surveillance systems which can benefit HBL as and when these are rolled out and converted into orders (as the business is totally dependent on government orders).

During the quarter under review, the company made an investment of Rs63.7mn in Xalten Systems (the proposal to invest in this start-up was indicated in Q3FY26) towards equity shares and Compulsorily Convertible Preference Shares (CCPS), resulting in 9.84% shareholding on a fully diluted basis and Xalten Systems is classified as an associate company. With respect to the earlier proposal to form a JV with Cochin Shipyard Ltd; the JV was formalised on 11th Jun'26 under the name Green Maritime Propulsion Pvt. Ltd with HBL considered as a 60% shareholder (the JV's initial capital would be to the tune of Rs90mn). The JV will consider to develop electric mobility technology and energy storage solutions in the maritime space to cater to both domestic and global markets. HBL has been consistently investing in R&D and some of these high-tech and higher margin businesses are anticipated to become substantial sources of sales and profits in a few years. The company has always been ahead of the curve in terms of developing and offering world class products for the nation. In terms of Kavach 4.0 and other developing versions, there is a bigger possibility of a number of competitors trying to gain market share which could come at a cost of margins. In such a competitive market, HBL might find it difficult to maintain the topline growth as well as the high margin profile which they enjoyed earlier. The Management themselves had been candid in sharing the same guidance in a presentation/press release nearly 3 quarters ago. Considering these factors we have toned down our estimates as well as the target price. We have scaled the target price down to Rs900 from earlier Rs1200.

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