



Prime Stock

Short Term Fundamental Pick

HBL Power Ltd



TODAY'S PRIME STOCK (SHORT-TERM INVESTMENT)

HBL Power

BSE CODE: 517271

NSE CODE: HBLPOWER

Sector: Automobile & Ancillaries

Industry: Batteries

CMP (Rs): 641 | Buy Range: 630-640 | Target Price: 705 | Potential Upside: 10%
Duration of Recommendation: 1-3 Months

HBL Power Systems Ltd engages in business of designing, developing, and manufacturing batteries and electronic solutions for demanding applications. Company has flagship products, TCAS (Train Collision Avoidance System) for safety and TMS (Train Management System) for efficient track utilization. The company targets critical sectors including telecom, UPS, railways, power, oil and gas, and defense, with most of its products being developed indigenously.

INVESTMENT RATIONALE

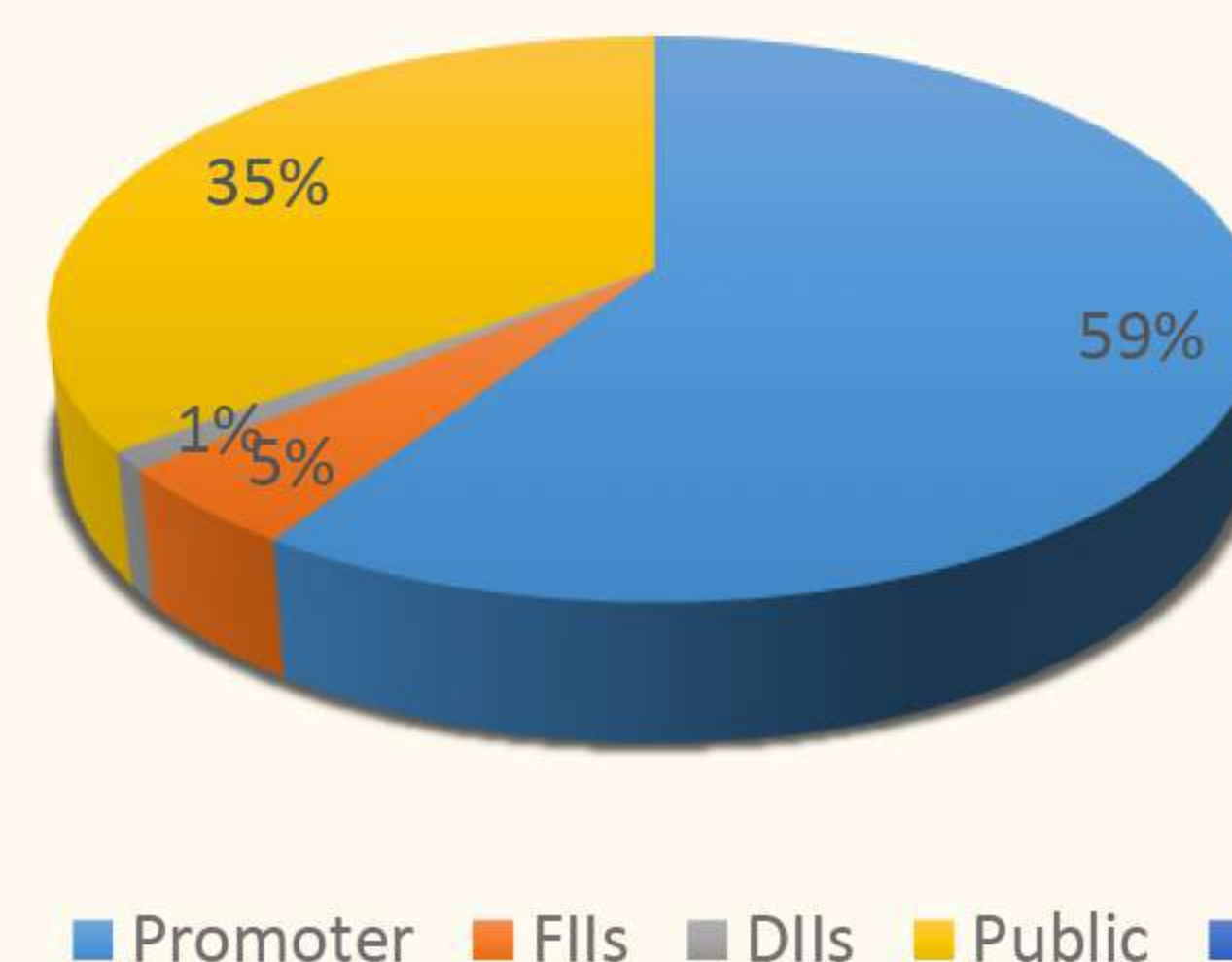
- **Strong Financial Performance:** Revenue/EBITDA/PAT have grown at a CAGR of 35%/84%/160% respectively over FY21-24. In Q1FY25, Revenues/EBITDA/PAT have grown by 11.3%/41.8%/47% to Rs 520 cr/110 cr/76 cr respectively on year-on-year basis. EBITDA margin is up by 457 bps from 16.7% to 21.2%. On QoQ basis, Revenue/EBITDA/PAT were -14.7%/-16%/+16%. Leverage position is also good with D/E is 0.06 with net debt Rs. -167.5 crores. Company's 3-year average ROE & ROCE are 17.8% & 21% respectively.
- **Indian Railways to issue Rs 5000 crore tender for 'kavach' safety system covering 10,000 km:** Indian Railways is poised to issue a Rs 5,000 crore mega tender to accelerate the adoption of its Kavach automatic train protection (ATP) technology across 10,000 km of its busiest networks. The company has already signed contracts for "KAVACH" with Indian Railways for deploying TCAS over 260 km in 2021. HBL power, being the key player in this segment, is well positioned to secure big chunk of this mega tender.
- **Company expects growth in train monitoring systems (TMS):** Train Management System is a master control center where a huge display panel shows the status of all trains in the territory of that system. With Govt's focus on train safety, foolproof monitoring system is required & HBL is the only approved Indian company for TMS.
- **Diverse Product Portfolio and Market Penetration:** The company manufactures a wide range of products including batteries for various sectors (defense, telecom, railways, data centers, and electric mobility). Their involvement in numerous sectors spreads risk and allows for multiple revenue streams, which can stabilize earnings.
- **Established player in Defense & Aviation Batteries:** The company is a significant supplier of batteries for the Indian Navy, including submarine propulsion batteries. HBL is also involved in developing lithium-ion batteries for future submarine applications under contracts from DRDO, adding a new growth avenue in defense. Additionally, the company provides missile batteries to international clients like Israel and UAE, establishing itself as a global player in this niche market.
- **Valuations:** Stock is currently trading at a P/E multiple of 57x & 49.6x its FY25/FY26 estimated EPS, which seems on higher side but given company's strong order book, high-margin niche products, and expanding opportunities in **railways and defense electronics** support this premium valuation, making it a potentially attractive investment despite the high multiples.

Mrkt Cap (Cr)	17771
P/E (x) TTM	54
P/B (x) TTM	14.5
EV/EBITDA (x)	36.9
ROE%	27.7
ROCE%	35.9

1-Year Price Performance



Shareholding Pattern



Share India Securities Limited

Corporate Office

Share India Securities Limited
A-15, Sector-64, Noida-201301
Contact No. : 1800 203 0303

Call Us: 1800 203 0303

Email: support@shareindia.com

Registered Office

1701-1703, 17th Floor,
Dalal Street Commercial Co-operative Society Limited,
Road 5E, Block 53, Zone 5, Gift City, Gandhinagar,
Gujarat-382355, India



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