




HBL[®]


HBL Power Systems Limited
Annual Report 2018-19



**“PERSEVERANCE IS NOT
A LONG RACE; IT IS MANY
SHORT RACES ONE AFTER
THE OTHER.”** –Walter Elliot

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It doesn't matter what the goal is or how long it takes to reach that goal.

Giving up is never an option.

Circumstances may change. Plans may falter. Progress may be impeded. However, the key is to realise that just like most situations in life, nothing is final.

Difficult times may appear like they're going to last forever – but they WILL pass, and soon, things will be back on track.

Until then, one needs to hold on. Until then, it's important to persevere.

Because the chances of success depend largely on the willingness to persist and persevere.

Every winner out there knows that real victory isn't in those final seconds of crossing the finish line.

It is in those moments in between, where one gets firmly gripped by uncertainty; when one start falling behind, when the willpower seems to be ebbing away – and yet, one refuse to drop out of the race.

The victory is in those moments of utmost perseverance, and when one chooses to fight on, instead of giving up.

At HBL, this then, is our belief system.

We choose to persevere because this journey is vital for us

We choose to persevere because we stay positive and know that better times are around the corner!

About HBL

HBL Power Systems Limited is a Hyderabad based organisation that leverages in-house technology to develop niche products and solutions that address telecom, industrial, railways, and defence applications.

The Company's vertically integrated facilities develop products and solutions that find acceptance across 80+ global destinations. With Dr. A. J. Prasad at the helm, a team of enthusiastic and experienced professionals manage the Company's day-to-day operations.

BSE code: 517271

NSE code: HBL POWER

Face value per share: ₹1/-

Earnings per share: ₹0.90

Book Value per share: ₹28/-

1,257

Revenue, 2018-19
(₹ crore)

40

Profit before tax, 2018-19
(₹ crore)

25

Net Profit, 2018-19
(₹ crore)

165

Net cash from
operations, 2018-19
(₹ crore)

Business verticals

Batteries		Electronics	Defence
Lead-acid	Nickel Cadmium (Ni-Cd)		
Telecom	Oil & Gas	Industrial electronics	Batteries
Railways	Power	Rail signalling	Ammunition
UPS	Railways	Defence electronics	
Power & Industries	Aviation	Permanent magnet machines	



VIZIANAGARAM

Near Visakhapatnam, Andhra Pradesh

Product line: 2V – AGM VRLA and Tubular Gel



SHAMIRPET

Hyderabad, Telangana

Product line: Ni-Cd and specialty batteries and power electronics



NANDIGAON

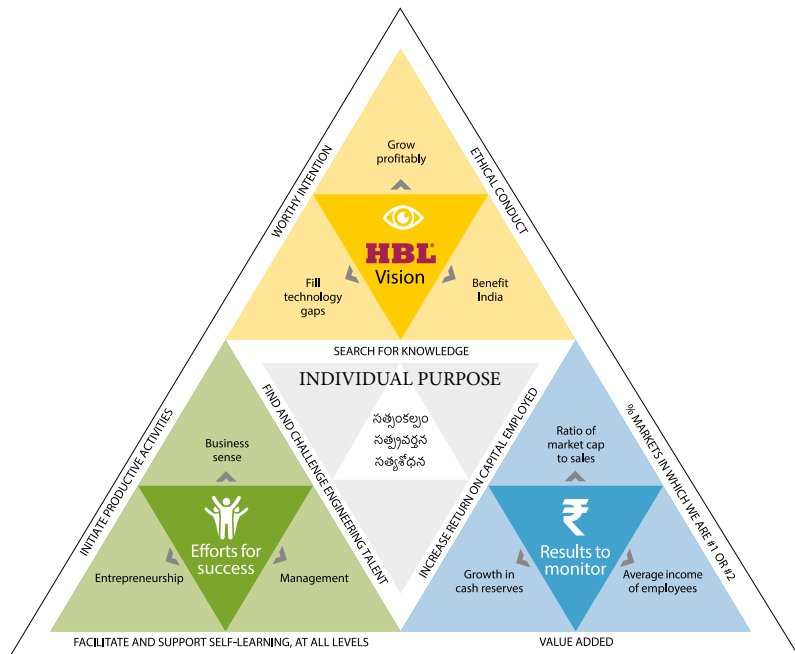
Near Hyderabad, Telangana

Product line: 12V Monobloc – AGM, PLT, Gel and Flooded variants and SPV modules

The triangle encapsulates the essence and being of HBL.

It crisply showcases the **'Who', 'Why', 'How'** and **'Where'** of the organisation.

- Who we are and Why we do what we do are embodied in the 'vision'
- How is captured in 'Efforts for Success'
- Where reminds us of the results to be achieved



Vision

To organise India's engineering talent into a globally competitive business, whether in manufacturing or services. Our choice is to be in businesses with technological challenges/engineering intensity.

Values

- Fairness to all
- Innovative spirit
- Craftsmanship
- Entrepreneurial opportunism
- Development of individuals
- Harmonious co-existence

Our distinctiveness

- The only company in India to offer all battery technologies used in industrial applications under one roof
- Large supplier of batteries for telecom and various defence applications
- The world's second-largest manufacturer of Nickel-Cadmium batteries with Pocket Plate, Sintered Plate, and Fibre Plate technologies
- The only Indian entity to possess Pure Lead Thin (PLT) plate

battery technology

- Approved by FAA and EASA for the supply of batteries to aircraft OEMs – Boeing, Airbus, Bombardier
- Pioneered the Train Collision Avoidance System (TCAS) for Indian Railways
- Developed Train Management System (TMS) for the Indian Railways – a first-time effort by the private sector



THUMKUNTA

Hyderabad, Telangana

Product line: Electronics



SPECIAL ECONOMIC ZONE

Visakhapatnam

Product line: Ni-Cd batteries (for exports)



DEVELOPMENT CENTRE

Yapral

Activities: Product development initiatives

"OUR YEARS OF DISCIPLINED PERSEVERANCE SEEM TO BE PAYING OFF AS SOME OF OUR PATHBREAKING TECHNOLOGY-BASED SOLUTIONS ARE ON THE THRESHOLD OF COMMERCIALISATION."

Dear shareholders

Fiscal 2018-19 was an outlier as it truly tested the robustness of the business model and the resilience of the organisation to withstand disruptive headwinds that derailed telecom sectoral growth into the negative zone.

We had anticipated that volatility in the telecom battery space would be significant. However, the intensity of the disruptions that prevailed during the year was way beyond our expectation. It adversely impacted our telecom battery business, which is the key revenue generator for the Company.

Despite this adversity, we remained in the profit zone, although our performance dipped considerably. The Company's Revenue from Operations declined from ₹1,593 crore in 2017-18 to ₹1,257 crore in 2018-19, while the Net Profit dropped from ₹30 crore in 2017-18 to ₹25 crore in 2018-19. More importantly, the batteries' business remained profitable.

Even as revenue and profits dipped, business liquidity increased over the previous year. The net cash from operating activities increased from ₹159 crore in 2017-18 to ₹165 crore in 2018-19. We utilised the liquidity to deleverage our financial statements. During 2018-19, we reduced our overall borrowing by

₹134 crore. Our efforts in pruning our debt over the last three years have substantially reduced the finance costs.

From a performance standpoint, Fiscal 2018-19 remained subdued. However, it was significant for our transformation journey. Our transformation journey has been pivoted on four pillars – 1) Grow nascent business verticals 2) Evaluate every business (product or solution) opportunity from a Return on Resource perspective 3) Focus on operating efficiencies and 4) Monetise surplus assets, and we made considerable headway in each aspect.



1) Grow our nascent business verticals

Our patient perseverance over more than a decade in developing technology-based solutions for the Indian Railways, and the Indian Defence is on the verge of commercialisation.

Electronics division: We expect the electronics division to transform into an important growth driver over the next 12-18 months. Our optimism is based on clear visibilities.

One, our decade long efforts in developing the Train Collision Avoidance System (TCAS) solution is about to yield results. We expect to receive our first order for our

indigenously developed TCAS solution in the current year. This acceptance holds considerable significance as it can potentially open doors to exciting growth opportunities over the coming years.

Two, after the successful commissioning of our Train Management System (TMS) solution at the Howrah Division of Eastern Railways, the Indian Railways is considering the deployment of such solutions pan India. We have received our second order for this solution from the Sealdah Division of Eastern Railways – a positive which builds our credibility with the Indian Railways and will hopefully usher in new business opportunities

from other divisions of the Indian Railways over the coming years.

Defence division: Our relentless perseverance in developing and delivering products and solutions customised for the Indian Defence has established our credentials with this important customer. This trust equity is strengthening business relations.

We have been awarded the design, development, and manufacture of Submarine Type II (SSK class) battery from the Indian Navy. Moving a step higher, we are also bidding for supply of the Type I (Kilo class) submarine battery with the Indian Navy.



The Company has also bid for the supply of batteries to the “Varunasthra” Torpedo for the Indian Navy. We expect to get a sizable order in the current fiscal year. Success in this product will open up multiple growth avenues in global markets over the medium-term.

2) Return on resource

We had adopted a disciplined strategy of investing in those opportunities where the returns on resources invested would align with the Company’s desire of being in sustainable profitable businesses. In this regard, the developments of niche solutions which are underway are continuously being evaluated in line with our articulated product and business development strategy. Each such solution could transform into an attractive revenue spinner in the medium-term

Electronics: We are working on a

drive-train solution that holds the potential to make e-mobility a viable proposition in the Indian ecosystem. We hope to develop and deliver this solution, commercially competitive, in the medium-term.

Defence: We are developing the advanced technology power solutions for Light Weight Torpedoes (LWT) and Heavy Weight Torpedoes (HWT) for the Indian Navy. We hope to deliver these challenging solutions in the current year. We also commenced the design and development of Type-II (SSK class) submarine battery, against an order from the Indian Navy and readying resources to manufacture Type I (Kilo class) submarine batteries.

Batteries: We are intensifying our development efforts in lead carbon batteries, and working on new chemistries beyond lead

acid including lithium, to create niche products that will find application in the e-mobility and energy storage solutions.

The telecom sector is expected to face disruptive headwinds in next couple of years. As a de-risking strategy, we will carefully select our product spaces and customers in the lead-acid battery segment. In the PLT battery segment, we see a considerable potential to grow business volumes over the coming years. To capitalise on emerging opportunities in this space, we will expand our capacity in this segment.

The Ni-Cd battery segment is equally offering a growth opportunity; we will continue to focus on increasing the volumes of this product from domestic and global customers.



Exports: After stabilising our TCAS, TMS solutions and naval products in the domestic market, we plan to explore opportunities across the globe. We expect our efforts to fructify over the medium-term.

3) Operational efficiency and surplus asset monetisation

We are consolidating our major lead-acid battery operations in a single plant from the earlier two sites. Besides, we are striving to create fungibility in our battery manufacturing infrastructure, which, we believe, will drive operational efficiencies and assist in improving man-machine productivity.

We have made considerable headway in monetising surplus assets. So far, we have monetised real assets cumulating to ₹50+ crore in the last 18 months. We continue our efforts in monetising the remaining surplus assets. We

will utilise a significant part of the proceeds in reducing our debt. This would facilitate in reducing finance cost and improving profitability.

These developments should bring an interesting balance in our business mix over the next 24 months – de-risking the organisation from an over-dependence on any one business segment and making our success sustainable.

Going forward

As we step into fiscal 2019-20, we look forward to better times and improved performance. The current year could emerge as an inflection point in our transformation journey.

From a performance perspective, the volatility in the telecom sector and the overall slowdown in India's economic progress will cast a shadow on the Company's

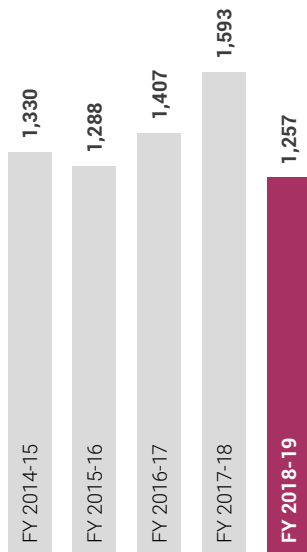
performance in the current year. Hence, despite the positive developments in our electronics and defence business verticals, we expect a subdued performance in the current year in terms of growth and profitability.

In closing, we would like to thank our esteemed customers, shareholders, bankers, partners, governments and other stakeholders for believing in our story and reposing their confidence in our capability and extending their support in our long journey of perseverance. We would also like to thank our colleagues on the Board for their commitment and professionalism in paving HBL's long-term path.

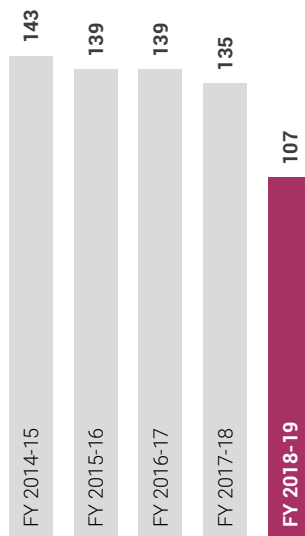
Warm regards

The management team

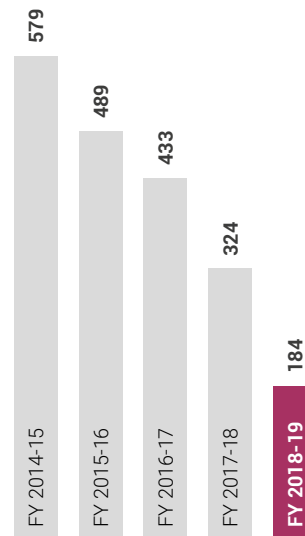
PERFORMANCE, 2018-19



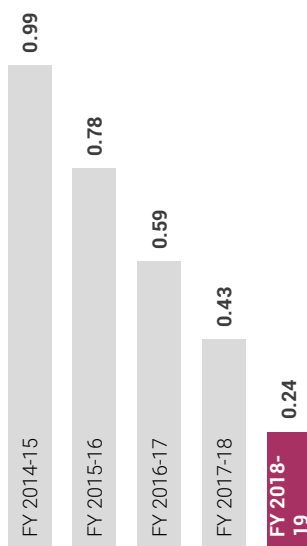
Revenue
(₹ crore)



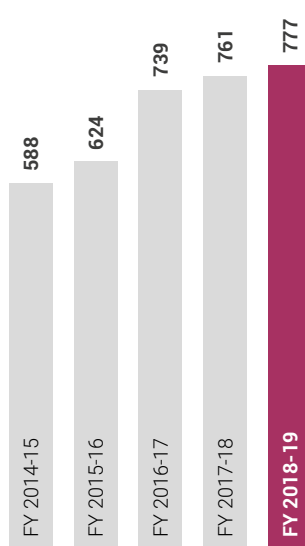
EBITDA
(₹ crore)



Net Debt
(₹ crore)



Debt-equity
(X)



Network
(₹ crore)



Book value
(₹)