

REALIGN

HBL POWER SYSTEMS LIMITED
ANNUAL REPORT 2019-20

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GOING against the tide may have its moment of glory.

But it's going with the tide and navigating carefully that makes real progress happen.

When you encounter a barrier, it's not always about combating it, that works. Sometimes it's wiser to take a step back, re-evaluate your options and reorient your approach that helps continue your journey.

At HBL, some business verticals have become less attractive in the recent past. The prospects of our large user sector dulled, even as competitive intensity in our space increased. This, in turn, diminished the demand for our products. Our resources remained constrained as well.

We have and will continue to persevere, through each of these impediments, but with the clear understanding that a readjustment of our priorities is in order.

In the midst of all this, Covid-19 became the metaphorical road block that aggravated what was already a challenging environment. This pandemic would, without doubt, adversely impact the economic and business prospects for this year and probably the next. Which called for a reflective pause on our part -

How do we proceed from here?►

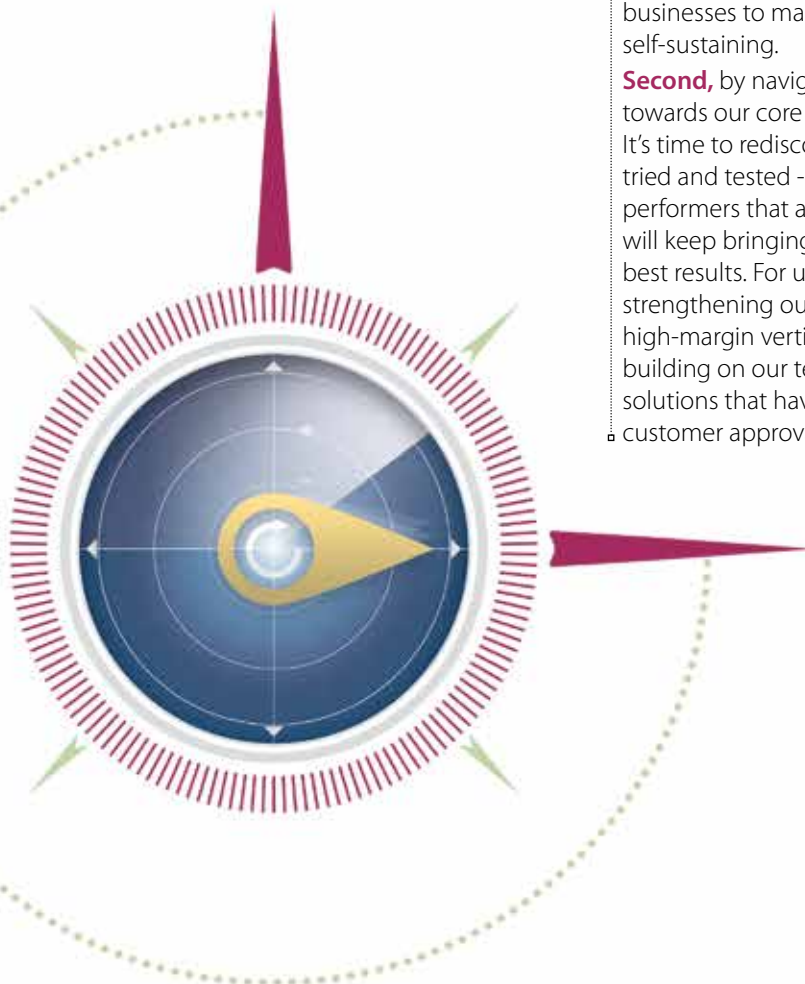
First, by pruning what's less beneficial. The superfluous will have no place in the business landscape of tomorrow. For us, this would entail recalibrating our exposure in less-attractive businesses to make them self-sustaining.

Second, by navigating towards our core strengths. It's time to rediscover the tried and tested - the solid performers that are and will keep bringing in the best results. For us, that's strengthening our existing high-margin verticals and building on our technology solutions that have secured customer approvals.

And third, by refocusing on niche opportunities that hold the most potential. We will continue to identify the possibilities, evaluate the risks, and conserve our resources to support these ventures. For us, this would mean exploring new avenues.

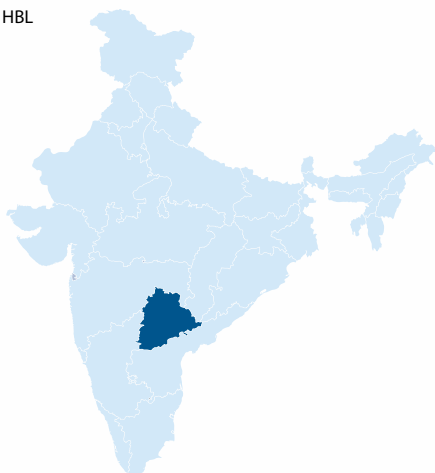
In other words, now is the time to balance the self-sustaining and return generating and, prioritise our resources accordingly. To re-adjust our efforts and plans while staying true to our core philosophies. To flow with the tide while working our way around the challenges and coming out on the other side, successful.

Now is our time to **realign...**

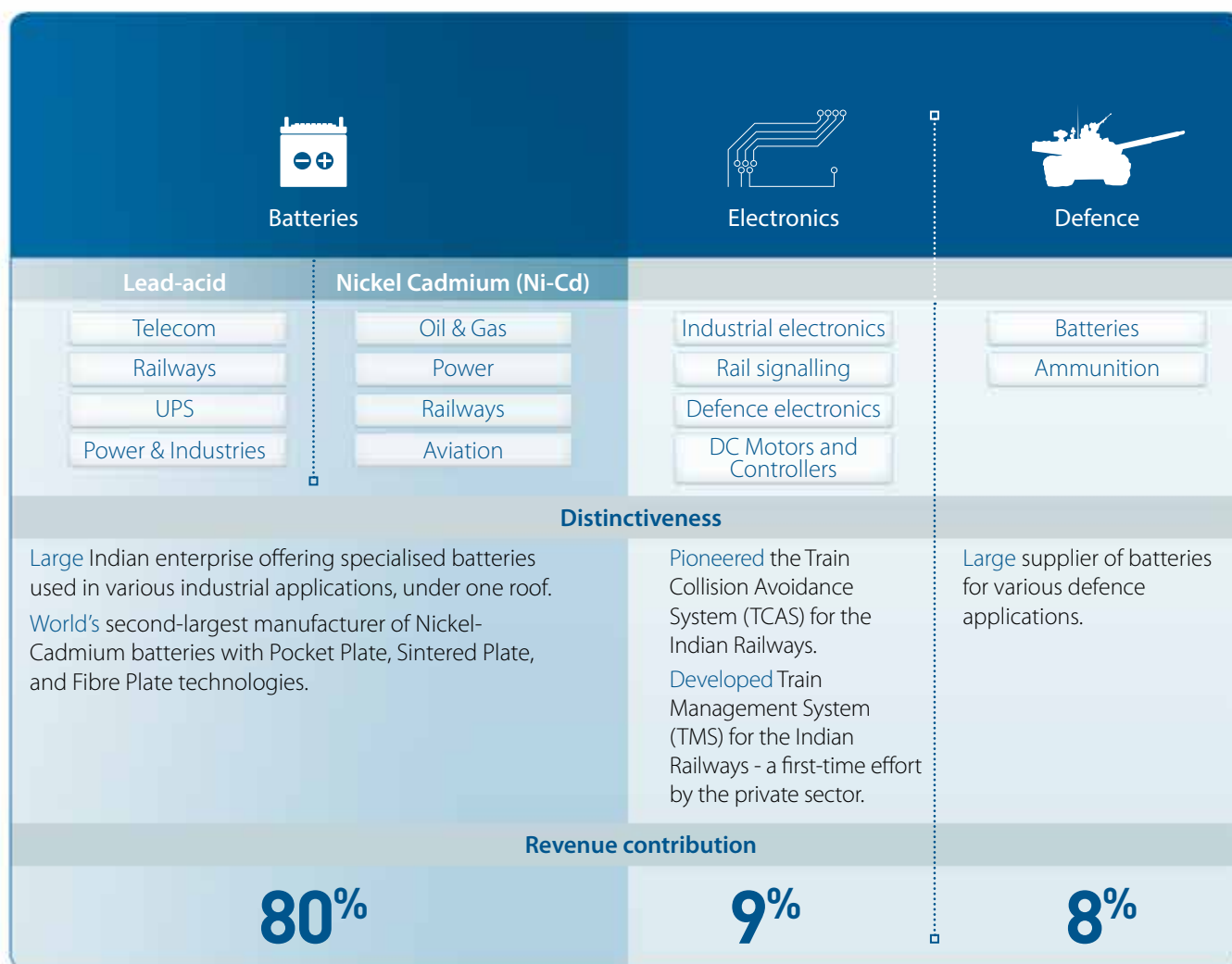




ABOUT HBL



THE Hyderabad-headquartered manufacturer of industrial and specialised batteries, and provider of electronic solutions has been living on the ethos of **'Make in India'** since its inception and leveraging its in-house technology for a host of applications. The business has three verticals - **Batteries, Electronics & Defence.**



5
Manufacturing facilities

80+
Global reach

1,700
Team size



Vision

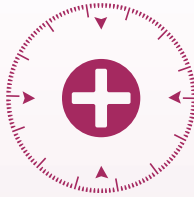
To **organise** India's engineering talent into a globally competitive business, whether in manufacturing or services. Our choice is to be in businesses with technological challenges/engineering intensity.



Values

Fairness to all
Innovative spirit
Craftsmanship

Entrepreneurial opportunity
Development of individuals
Harmonious co-existence



Management focus

Sharpen focus on the high-return business verticals -
Electronics and Defence

Explore technology driven futuristic opportunities -
lithium ion batteries, DC motors and controllers, and artillery fuses

Create a resource base to support new business verticals
Make currently less-attractive business self-sustaining

Our vertically integrated facilities



VIZIANAGARAM - Near Visakhapatnam, Andhra Pradesh **Product line:** 2V / 12V - VRLA and Tubular Gel batteries



SHAMIRPET - Hyderabad, Telangana **Product line:** Ni-Cd and specialty batteries, and power electronics



NANDIGAON - Near Hyderabad, Telangana **Product line:** 2V/12V - PLT and Tubular flooded batteries



THUMKUNTA - Hyderabad, Telangana **Product line:** Electronics

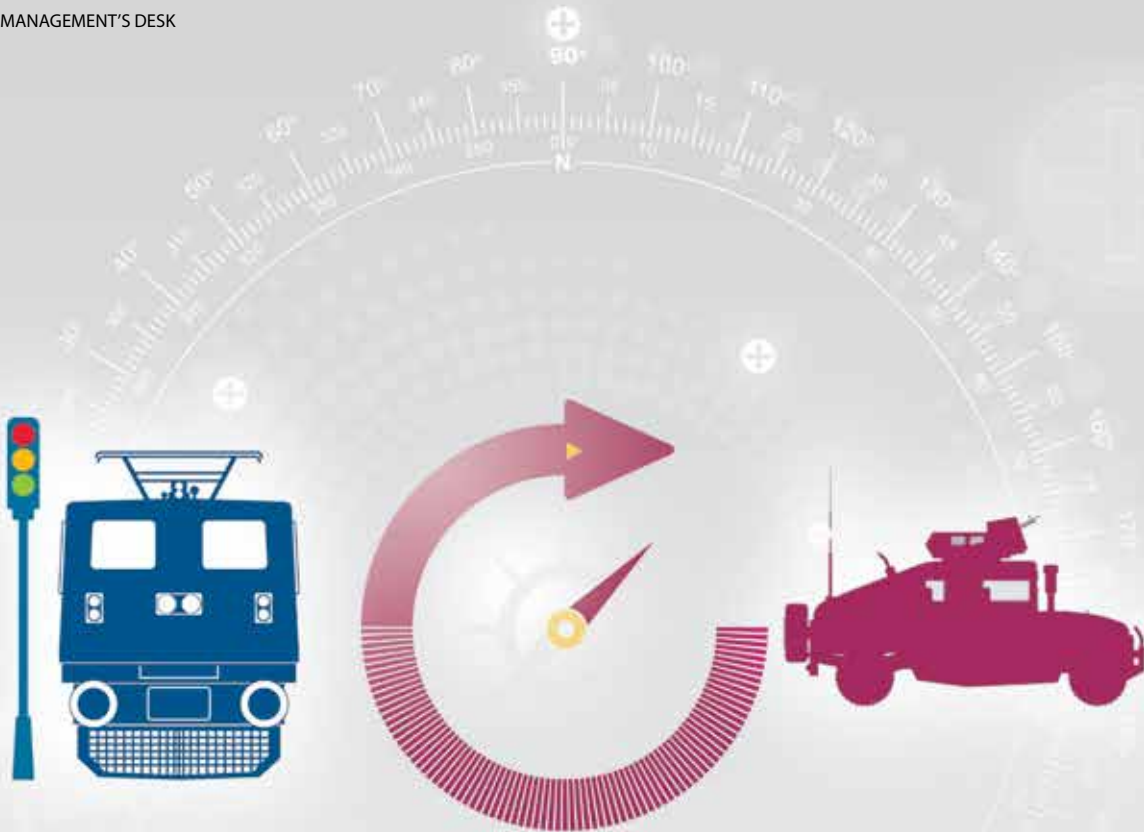


SPECIAL ECONOMIC ZONE - Visakhapatnam, Andhra Pradesh
Product line: Ni-Cd batteries



DEVELOPMENT CENTRE - Hyderabad, Telangana **Activities:** Product development initiatives





HBL is truly living up to building an **Atmanirbhar Bharat**, plugging technology gaps and making products that cater to areas featuring high on the Government's priorities namely indigenisation of **Defence capabilities, safety of Railway operations and reliable energy solutions.**

Dear shareholders,

ANOTHER eventful year has passed by and we are happy to share our thoughts with you yet again on our performance and prospects through this Annual Report.

Our performance in 2019-20

Financial year 2020 turned out to be an engaging and challenging year. It brought with it a new wave of opportunities and successes, even as existing challenges continued to test our resilience and perseverance. The general adverse economic environment was not the only impediment facing us. The decline in the performance of the telecom sector continued unabated.

Since telecom batteries account for a major share in our revenue, decline in demand from the beleaguered telecom sector impacted our business. As such, revenue declined to ₹ 1,077 crore in 2019-20 from ₹ 1,261 crore in 2018-19; net profit dropped from ₹ 25 crore to ₹ 22 crore over the same period. We continued to monetise our surplus assets which helped in optimising our



HBL successfully completed field tests for its PLT batteries installed in heavy duty military vehicles of the Indian Army for all-terrain usage. The Company remains confident of receiving the stamp of approval soon.

debt levels (debt-equity ratio at 0.09x as on March 31, 2020) leading to considerable saving in interest cost.

Moreover, this provides the required financial strength to the organisation to meet the prevailing challenges.

Even though the financial numbers were not upto the mark, the year was very exciting, as we made excellent progress in our transformation journey. In the electronics space, we won the first order for our TCAS solution from the South Central Railway to be installed over 350 kms of track and 30 locomotives. In the defence vertical, we received our first contract from the Indian Navy to manufacture and supply Type I (Kilo class) submarine batteries. We also secured prestigious, large-value export orders for Thermal batteries.

In the batteries space, the traction for Pure Lead (PLT) thin plate batteries for Data Centre UPS applications was particularly encouraging. We also enjoyed a strong order flow for Nickel Cadmium Pocket Plate (NCPP) battery business from domestic customers; profits earned from this product vertical

assisted the battery group to exceed the annual profit plan, despite a shortfall in revenue.

These accomplishments, although relatively small from a revenue contribution perspective, are crucial as they promise to open profitable growth vistas going forward.

In keeping with this reality, we are sharpening our focus on niche technology-based solutions (our core strength) while pruning our exposure to currently lesser-attractive business spaces.

In addition, we will create new product verticals within our niche businesses that will strengthen our business profitability over the medium term. In doing so, we will continue to stay firm to our articulated goal of maximising Returns from Resources deployed.

Our areas of immediate focus

Within all our business verticals there are niche products in which we have seen reasonable traction in the recent past and continue to show immense potential over the coming years. Having secured approvals from regulatory agencies, we will work single-mindedly on

transforming these fledgling products into key growth drivers over the coming years.

Electronics: With safety moving higher on the Indian Railways' priority list, TCAS and TMS solutions are expected to witness significant traction over the coming years.

In TCAS solutions, we now hold an enviable position. In addition to securing an order for deployment, we received the RDSO approval for using TCAS for train speeds up to 160 kmph. Further, our product is at an advanced stage of testing for its deployment in auto-signaling sections - we are hopeful of securing the approval in the current year. This would position HBL as a prime Indian enterprise with a tried-and-tested product in this space.

Having demonstrated our capabilities in TMS solutions, we are now vying for more business opportunities in this space. Furthermore, the Indian Railways have recently announced a budget approval of ₹ 2000 crore for installing TMS projects in various other sections which include the provision for Centralised Traffic Control

(CTC). HBL, currently the only Indian company with this technology, is implementing CTC in its ER-Sealdah project.

Defence: Having built credibility with the Defence forces as a reliable supplier of technology solutions, we will work to leverage this association. Securing orders for manufacture and supply of Type I (Kilo class) submarine batteries and the Varunasthra Torpedo batteries for the Indian Navy further cements our position as the largest supplier of specialised batteries. In addition, it unlocks export opportunities for these products.

Batteries: Being positioned as the preferred supplier of NCPP batteries for domestic users, we will focus on sustaining the momentum achieved in 2019-20. We have received approvals for our batteries from key overseas end-users which should generate new business. Even as we continue to scout for global opportunities, we will enhance our share with our domestic customers. In the lead-acid battery space, PLT batteries are another exciting area. In addition to the healthy volumes in 2019-20, we are confident of





environment, picking only select opportunities that meet our business criteria. The consolidation of lead-acid battery manufacturing capabilities at our Vizianagaram facility is progressing well and should be completed in the current year.

In the years to come, our upcoming businesses should balance the Company's business portfolio, reducing our dependence on telecom batteries.

Our growth levers for tomorrow

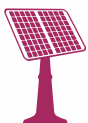
While prospects in the near-term appear challenging, as a future focused organisation, we are making heartening progress in developing niche solutions that will sustain our business over the medium/ long-term.

Electric vehicles: We have developed high-efficiency motors, using indigenous materials that can be used for traction application in electric vehicles. Currently, these motors use materials which can be imported

positioning PLT batteries as a preferred product in data center applications. We are expanding the product range to cater to the burgeoning demand from the data centre space.

We have also received approvals from major UPS OEMs and consultants for our

AGM-VRLA batteries. This will provide a solid impetus to scale up our presence in the UPS space; we are enhancing our UPS capacity gradually to meet the growing demand. We would be pruning our exposure, in the telecom battery space owing to the irrational competitive



We have developed high-efficiency motors, using indigenous materials that can be used for traction application in electric vehicles. Currently, these motors use materials which can be imported only from China.

only from China. We are working on integrating these components into an electric drive train kit that can be installed on intra-city commercial vehicles like buses and trucks.

Our products are at an advanced stage in the approval cycle.

New battery solutions:

This will continue to be an area of focus for HBL owing to our ability to develop and deploy cutting-edge technologies and deliver relevant products. In 2019-20, we signed a Technology Transfer Agreement with NSTL (Naval Science and Technological Laboratory) for manufacturing Lithium Ion batteries for Defence applications. We are making healthy progress in developing lead carbon batteries. We are also augmenting our capabilities around lithium ion battery solutions for energy storage solutions and e-vehicle applications.

In addition, we progressed well on the development of new LWT (Light Weight Torpedo) and HWT (Heavy Weight Torpedo) batteries for the Indian Navy; these

advanced and complex products are scheduled for completion by FY21 and FY22 respectively. With these, HBL is well poised to be a reliable supplier of specialised batteries.

Defence segment: The Indian Army has activated its 2018 tender for artillery fuses. We have been asked to supply samples for field trials and qualification. We remain hopeful of establishing a meaningful presence in this space over the coming years.

Niche solutions: We have developed Battery Monitoring and Management Systems for various mission-critical applications that include railways (on-board battery monitoring), data centers (back-up batteries) and electric vehicles (traction batteries). We received our first ground-breaking order from New York City Transit Authority for installation of this solution in their metro trains. This is a big step towards establishing a strong footing in this business space over the medium-term. The bottomline is... HBL is truly living up to building an Atmanirbhar Bharat, plugging

technology gaps and making products that cater to areas featuring high on the Government's priorities namely indigenisation of defence capabilities, safety of the railway operations and reliable energy solutions.

Our outlook for 2020-21

Fiscal 2020-21 will be particularly challenging wherein we expect all business verticals to report a stable or subdued performance. Covid related shutdowns and demand slowdown have led to significant demand and supply constraints. Our focus for the year would be to closely watch our business environment, optimise our cost structure and monetise further the remaining surplus assets to deleverage the organisation. This would assist the Company to garner funds, as and when required, for investing in niche product and business verticals that hold immense promise of delivering better returns going forward. In closing, we take the opportunity to thank the entire team for its

passion and dedication to our customers and our business. We express our sincere gratitude to our fellow Directors for their commitment and professionalism in paving the Company's long-term path. Our thanks to all other stakeholders, who continue to be our all weather partners. We also place on record our deep appreciation to all our loyal and valuable shareholders for their continued confidence and support.

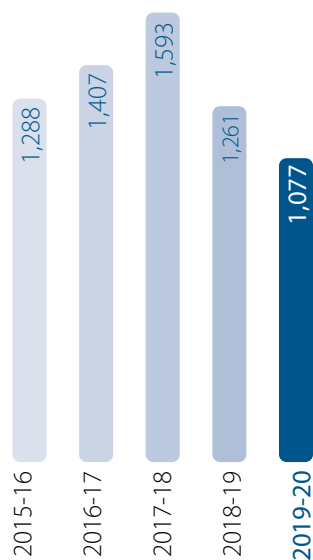
It's your confidence that has brought us this far, it is this energy that will accelerate us into a new orbit.

Warm regards,
The Management Team

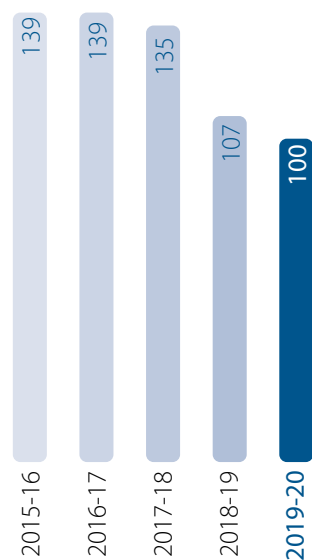


Key performance indicators

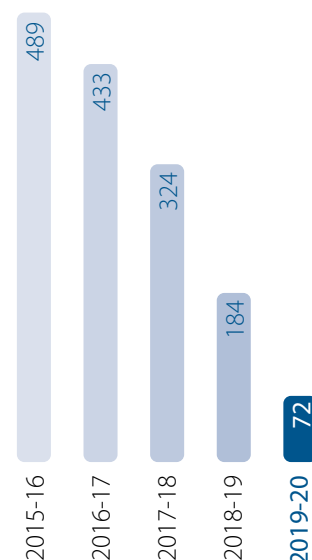
Revenues (₹ crore)



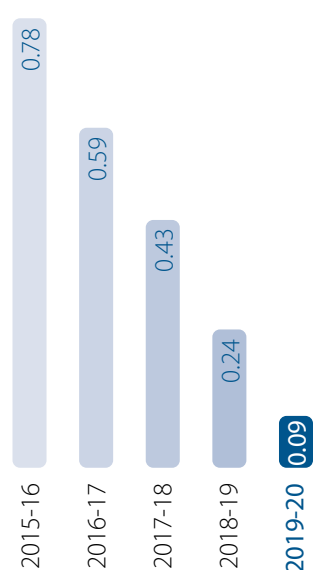
EBITDA (₹ crore)



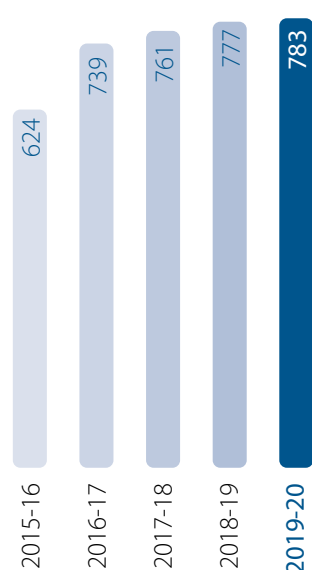
Net Debt (₹ crore)



Debt-equity (x)



Networth (₹ crore)



Book value (₹ / Share)

