



# HBL Engineering Limited

(Formerly HBL Power Systems Limited)

**39<sup>th</sup> Annual General Meeting held on September 25, 2025  
at 03:30 PM through two-way audio-video conference**

Present	<p><b><u>From Board room</u></b></p> <p>Dr. A J Prasad, Chairman and Managing Director Mr.GBS Naidu, Company Secretary Mr. Sairam Edara, Chief Financial officer</p> <p>Scrutinizer Mr. Vinay Babu, Practicing Company Secretary</p> <p><b><u>Virtual participants</u></b></p> <p>Mr. S Narsing Rao, Chairperson of the Audit Committee Mr. K V Sriram, Independent Director Mrs. Aparna Surabhi, Independent Director Mr. V. Raghuram, Statutory Auditors</p>
Moderator	<p>Good afternoon to all. Good afternoon sir. The requisite quorum is present.</p>
GBS Naidu Company Secretary	<p>You can start the meeting, sir. Good afternoon to all the attendees. Welcome to you all to the 39th Annual General Meeting of your company.</p> <p>I would like to inform the Chairman, Directors and the Members that the requisite quorum is present as declared by the Moderator and I call the meeting in order. Since the notice of the meeting, financial statements and other statutory reports, documents have already been circulated to the members well in advance. With the permission of the members, the same are taken as read.</p> <p>Now I hand over the meeting to Chairman and request him to address the members.</p>
Dr. A J Prasad Chairman	<p>Good afternoon and welcome to the meeting.</p> <p>I want to share my thinking and the company's thinking on four topics of interest to you before we invite questions.</p> <p>The first of them is business prospects for the near future. The second is what will happen to our policy of concentrating on high tech niche markets. And the third is about the product mix of HBL.</p> <p>And finally, we want to talk about the use of surplus cash because these are the current issues. And so, let us talk about the business prospects for the next three years. People have been meeting me and saying, what is the visibility? And I think any one of you who has been tracking the economic situation in India knows that uncertainty is increasing.</p>

So, visibility is there, provided something does not happen unexpectedly. The cover of our last annual report had shown that the sales for FY25 will be flat, that there will be no growth. And in fact, there was a mild decline, but that was still close to what we expected.

And the reason of course is the Kavach orders. We expected some Kavach orders to begin and every month delay in the receipt of those orders will lead to a delay in our deliveries. The Kavach orders also showed a steep increase in FY26.

And the surprise now is that the increase will be even more than expected. Again, the primary reason is the drought of Kavach orders has now become a flood. And this is typical of these kinds of customers we have.

The other point about the annual report cover this year is, I used the next orbit. And somebody wrote to us saying, what does orbit mean? I thought it is something everybody understands. But what I meant was that if you look at the last five years, which we have summarized for you in the MDA, you will notice that for the preceding three years; we were stuck around less than around 1000 crores to 1500 crores.

In the previous two years, we got stuck around 2000 crores. But from now on, I think it will not be lower than 3000 crores. And therefore, it is the next orbit.

And we are budgeting this year. Budgeting is the word, I am not forecasting, we are careful not to say it is management guidance. But we are budgeting for 3000 crores in sales of this fiscal year.

Because of the publicity given to the American tariff decisions, some of you may be wondering what happens to, whether it has any impact on our sales. No, there will be no impact, because our budgeted sales are above 50 crores. And all of it is not lost.

People are still saying that there may be an agreement and something will settle down. But our customers are those who cannot easily switch from one to the other just because of an increase in price. So, they will negotiate, we have to compromise.

And they will also budget something. And if the tariff remains in the future, they will plan for this in their own influence. The big story of the year, of course, is Kavach.

And as explained in the management discussion and analysis, the business in the next two fiscal years should be almost as good. Definitely and perhaps better in the next year than this year. So, there could be a decline in FY28.

And how much depends upon many unknowns. At this point of time, out of five companies to whom orders were given by the railway ministry, only two companies are qualified with new version 4.. The other three are yet to get qualified.

Nobody knows when that will happen. And we had a lead on our competitor by about, I think, eight to nine weeks. So, I see quite clearly that Kavach is going to continue to be important.

By FY28, even if Kavach falls a little bit, I do not see any reason to worry because I expect growth in sales to continue for two reasons. One, the TMS, which the railways have been too busy to pursue, will now become, they will have time. And more than that, the sales of electronic fuses for ammunition on which the company has been working for 20 years.

There have been a lot of favourable developments and enormous progress made by our team. But all told, we are going to enter a niche market that is as sound and in investor language, they call it a moat. I like that word.

This is a moat that not even three people can cross. So, overall, the visibility for the next three years exists. And beyond that, you have to take my word for it because a lot of developments I do not want to talk about unless there is something firm on the ground.

And the MDA had said that we are hoping to get four and a half thousand crores by FY30. As of today, that still seems a reasonable number. That is enough about the current business prospects.

But the company has been following a business model. And this is only now a few people are beginning to understand what it is. We want to invest in R&D in order to earn good margins in secure market spaces.

Top-line growth was not our goal. Profitability was. But more than that, the goal was to build a strong organization that will survive as somebody uses the word resilient.

Almost all our products took 10 to 15 years from the R&D concept to commercial success. Kavach R&D began in 2005, 20 years ago. At that time, the budget was very small.

Every year it kept increasing. And it is only in 2025 that we are seeing results for this effort. So, obviously, many people who have met me said, you know, this is all nice to hear.

But how long is this strategy sustainable, especially given your age? Which is a fair enough question. So, but the point here is that a company should not depend upon one or five people. It has to be a living organisation that survives on its own.

And one of my goals now is that this strategy gets followed and becomes a part of the operating system of the company, even after I retire. So, let me explain in simple terms what technology development in manufacturing is and what advantage I had in my prior work in academia to use it for building HBL. Capital is not the answer to technology gaps.

You need capital after you establish the technology to scale up and remain competitive. The Indian PLI schemes, they are creating employment. There is no technology being created.

But since nobody in the government understands what technology is, and to the best of my knowledge, most of the commentators who write about government trade policy, industrial policy, economic policy, but nobody talks about technology policy. What has been the benefit of my knowledge on this, for example, is very clear and easy to understand. I knew six years ago that no

one outside China can make a profit from the production of lithium ion cells.

So, what did HBL do? We avoided, just because it is a battery and people expect us to do about batteries, we did not jump on it and say we will also make lithium ion cells. We chose a niche for defense because the defence ministry has always been willing to pay a premium for quality products made in small volume as long as it is made in India. And everybody knows that this make in India pressure is growing.

And among all the services in the Ministry of Defence, the Navy is the most persistently enthusiastic about this. So, we chose the Navy. We explore opportunities for lithium ion cells production in India in the Navy.

And we have, by the time this fiscal year ends, we would have invested perhaps 200 crores or less. And we will make a profit from year one. Now, what has happened in India, people who did not understand this, they have announced big projects.

Companies like Reliance, there were a jewellery merchant in Bangalore, PLA was given to him, Exide, Amar raja, all of them are having second thoughts. In Europe, they wasted 16 billion euros on one plant in Sweden called Northvolt. And now they are spending more billions to wind it up.

There is a similar story going on in semiconductors, though we are not in semiconductors. I kept telling people that semiconductors is not as easy to make as people think. And I am happy to say that Adani on one end and Zoho on the other, they are smart in giving up the large investments they were thinking of making.

But some other companies are not as smart. And typically in India, you know, what is technology, what is a semiconductor and what is a semiconductor industry is a matter of doubt. You can say anything and call it semiconductor industry.

So, I do not want to say further on that. Therefore, I want you to understand that there is a method that we have followed and this is becoming more and more relevant, more and more people are accepting it as a profitable way to grow. That was the second point.

The third point is we have a product mix and you can look at a product mix and say there is no focus or you can look at a product mix and say there is a portfolio, so there is lower risk. Niche markets by definition cannot grow to become very large, otherwise it is no longer a niche. The larger you grow, others will come in, whether they lose money or not does not matter, they will bring the price down.

Growth for HBL has come from diversification into adjacent technologies, but markets were different. The railway signalling business is not a battery business. But there was nobody in Indian industry that was willing to take such a long risk and spend so much of time and money to developing a signalling protection scheme.

And the railways were very enthusiastic because without their support this cannot be done. But they have their own procedures and there is a lot of uncertainty. So, the limitation of the niche market business model that a niche

market by definition cannot grow has become a second strength for HBL in developing a portfolio.

We did not do a portfolio just to add the number of products in our catalogue. Now, the logic behind other ways of thinking is, many years ago there was an investment banker who was looking at our company and he said, look you are a conglomerate and there is such a thing called a consortium discount and a conglomerate discount, so I am reducing your valuation by 20 percent. Okay, fair enough.

Why do they do that? I am not saying they were wrong. They have this lesson from experience that when centralized managements have too many unprofitable businesses, they hide their weakness in growth. And so, intelligent investors realize that while the company as a whole is growing, it is carrying a lot of burden which it cannot shed on demand.

So, what we do is, first of all these markets are completely separate but each division is growing on its own. It is decentralized and each division sees itself as an independent business. It is not subject to any bureaucratic delays or corporate office approvals.

I get a lot of complaints from my CFO saying, sir everybody is doing what they want and I said, where did we get here? That is the result of this. So, now you are new, relatively new. So, please relax and spend your time somewhere else.

So, portfolio premium is I think what should be applied when people look at HBL. Okay. The fourth point is use of surplus cash.

Beginning in fiscal 26 and continuing into the near future, HBL expects to have surplus cash. For a company of our size, I would say the amounts of surplus cash are substantial. It is a good problem to have and this is not new to business as many companies have lot of cash and only today morning, by coincidence, the economic times, sorry the business standard, the business standard had a headline in one of their supplementary parts of the newspaper.

Listed companies park a record of 3.8 trillion in mutual funds. Listed company but this is a sample of only 1569. Apparently, there is an association of mutual funds in India and they showed that corporate investments including listed and unlisted companies have reached a number of 23.6 trillion and 5, 6 years ago it was only 9.6 trillion.

There is a lot more data in this article. So, what does it show? It shows that any company making a profit under surplus cash is being careful with its cash and putting it in mutual funds. Good, good for the stock market.

Therefore, you know, there is some, instead of buying jewellery or buying more fancy shoes or wasting more money on foreign travel, companies are doing this. The question is why? And this article is representing typical Indian thinking, which is why I said there are too many economists in India and too few businessmen. In the headline, it says cash build-up, limited capex appetite.

Somewhere else it says limited growth avenues. This is where I fundamentally differ. The rest of the world is looking at India and we keep saying that we are the only country with enormous potential for growth and why is it that our corporate sector is unable to find the opportunity? My answer is very simple.

It is blunt. They are not good enough to be leaders of corporate sector. The world has changed, India is changing, but they still remain, which is why we have fallen behind on so many technologies and we are waking up now.

It is not going to make very much of a difference. So, the government wants companies to invest more capital for economic growth and says companies are not doing enough. They do not ask the question why companies are not doing enough.

So, what are they doing? To discourage companies from parking cash elsewhere or distributing it to shareholders, they tax dividends and even more they tax share buybacks. This is interesting because buybacks are discouraged by these strict regulations. In the US, which is supposed to be the pinnacle of capitalism, a company can buy its shares at any time in whatever number at whatever price.

Okay. Was that good for the US? I do not think so and now many people are realizing that it was not good. What did corporate America do? They did the same thing.

They increased their bonuses, quarterly results have to increase. So, you buy back your own share, the price of the share goes up. So, you have increased the valuation of the company, but you are not using that money for investment.

So, the companies have become hollow. Most of the manufacturing has moved to China and now they are realizing that this is not the way to have done it, but that is their problem, it is not our problem. But I can agree with the government on this that we do not want them to allow buybacks to be easy because that is the easiest way.

Large shareholders like myself, we want to benefit from lower taxes on capital gains, where no harm for mending up the company and the promoters want to keep, as a promoter I say that we want to keep a war chest in case a sudden opportunity comes up. And there are a lot of conflicting views to be balanced on what to do with this surplus cash. Let us look at dividends as another issue, because I have been under pressure at every single meeting in the last 5 years saying that our dividends are too small.

Luckily, some data is available for me to discuss. This man Ashwat Damodaran, who I think teaches at NYU, he is writing a lot of articles and has become a person of influence in the stock market. On the economic times of 7th March this year, he said that in the USA, since 1980, 60% of the cash returned to the shareholders was in the form of buybacks for the last 45 years.

And these 45 years is precisely the period in which the United States industry declined. It is not a coincidence. This kind of remarkable coincidence is unusual.

But this means that 40% was in the form of dividends. In India, it turns out, the same Damodaran I think did some survey, 31% of the cash was returned. But since most of it has to be in dividends, because the buybacks are not allowed, so we have a benchmark of saying that 30% of profits would be an expectation of companies in the norm.

So, this year, we have reached 100%, but not of the entire profit. Actually, the profit measure is more important than what is the percentage of yield. So, all I can say is that we are going to have another dividend in March, which is the first time.

We did it once before for some tax reason, but we will have a second dividend in March beyond the one in September 25. It should be about the same as now, unless something dramatic happens. And we hope to continue this so that we do not get taken by surprise.

Okay. Another point on this, which comes brings me to my future plan is this. What companies invested when not returning cash to shareholders was in the stock market or other passive investments.

And this trend is continuing. In FY 2017, it was 16%, in 24, it was 31%. So, the percentage return on financial investments is lower than from companies who are operating their businesses.

But what this means is companies are finding it more and more difficult to find enough capex for working. We at HBL have invested some surplus cash in the last year in some established mutual funds, but this is not satisfactory to me or to the board. So, what we are trying to do now is saying that on one hand, we want to invest in manufacturing and technology development.

On the other hand, we are saying that we are not going to make large capex projects and get into areas that are very tempting. The minute somebody has surplus cash in the balance sheet, you get costs. Do you want to buy this company? Do you want to do that? Do you want to do this? No, thank you.

We do not want to merge. We do not want to acquire. We do not want to do anything.

So, it occurred to me that HBL is a 40 odd year old company and there are many companies which are younger by very bright entrepreneurs and as I have explained in the MBA, they are finding it hard. Their products are not glamorous and if they want to talk about manufacturing, most investors are not interested. So, we have established a trust.

I think the trust is agreed, right? It is called Mittelstand Technology Partners. The word Mittelstand is a German word commonly used in German industry for the backbone of their manufacturing, what we call the big to small, not micro or medium sized companies and medium sized company in Germany will be much bigger than the one in India. We want to invest in these companies, especially those with the potential for growth at a time when the safe investors say there is no visibility.

Very good. You do not see the visibility, I see it. So, we will make an investment and it is better than like any other venture capital model.

	<p>Every decision we take will not be a big payoff. But I think we know enough to know that we are not going to lose our shirt and I see it as at least as good as investing in HBL itself. But we are also trying to keep something else in mind and that is to create an ecosystem.</p> <p>We are not investing randomly in companies that are in high-tech areas. We are investing in companies that increase our market information and market access. The Japanese are excellent in doing this.</p> <p>If somebody looks at the inter-corporate investments in Japanese companies, it will be like a spaghetti diagram. I mean, it is very hard to trace who is invested in what and why. But they work like a big team because they have the trust that each of them will look after the other.</p> <p>So, HBL's ecosystem obviously cannot be that big or complicated, but that is what we are trying to do. I think on the rest of the points, we have already explained. Succession planning has been clearly defined.</p> <p>I am going on record as saying that we are not interested in finding a single CEO. But we want to build this company into a sort of holding company structure. And each division of which there are nine, as I explained, will be a virtually independent company.</p> <p>It need not pay its own financial, report its own financial results. That can be done by the corporate office.</p> <p>So, as in the past, I don't want to forget all the people at HBL who have dedicated themselves to this. And the more I see them, the more I realize the satisfaction they get out of working in an exciting project, where they get the meaning of, you know, how they want to spend their careers.</p> <p>I think I'll stop with this.</p>
<p>GBS Naidu Company Secretary</p>	<p>Yeah, thank you, Mr. Chairman. Now, with the permission of the chairman, I would like to invite the members who have registered as speakers for the meeting to speak.</p> <p>However, I would like to request the members to keep the questions and the discussion limited to a short time, so as we can give the others also. Moderator may allow the speakers in sequence. However, once again, we are requesting all the speakers to be precise and concise in their questions and the discussions.</p> <p>Now, I'll leave it to the moderator. Now, one by one, we can invite the speakers. Thank you, sir.</p>
<p>Moderator</p>	<p>I request all the speaker shareholders to limit their questions to one and a half minute. I now request our first speaker, Ms. Yachna Bhatia, to kindly unmute, share the camera, and proceed with the question.</p>
<p>Ms. Yachna Bhatia</p>	<p>Hi, I'm audible.</p>
<p>Moderator</p>	<p>Yes, madam, you're audible</p>

<p>Ms. Yachna Bhatia</p>	<p>Thank you!</p> <p>So, thank you for the excellent speech and an excellent annual report.</p> <p>My questions were largely around,</p> <p>The first set was largely around the fuses. You mentioned about big opportunities in that space. And we also saw that in the last couple of months, there was significant RFIs related to 155 mm, 40 mm, 23 mm anti-drone ammunition for Indian Army and 30 mm for the Indian Navy.</p> <p>So, if you could talk about in detail, which of these RFIs did we participate in?</p> <p>Who are the other players who are there in this space?</p> <p>What is the competitive intensity like?</p> <p>And since these came say in January this year, what has been the progress so far? Have the trials been conducted?</p> <p>What can be the size of requirement from the Indian Army and the Navy in the next two to three years?</p> <p>What kind of order size do we expect to come to us?</p> <p>Also, the last time a similar order had come, it had gone to BEL. So, I just wanted to understand, are there any additional clauses related to indigenization this time, which put us in a better position to get these orders?</p> <p>If you can answer this, then I can move to the second point. So, I can do it now, or may be, yes, like the last time.</p>
<p>GBS Naidu Company Secretary</p>	<p>Yeah, I'll request all the registered speakers to speak, and then the chairman will answer altogether because to avoid any duplication of questions also.</p>
<p>Ms. Yachna Bhatia</p>	<p>Okay, sure. So, my second set of questions was around coverage, where the annual report talks about significant opportunities in TMS and CTC.</p> <p>So, if you could talk about the market potential, the size in each of them and the visibility on timelines, and specifically with respect to CTC, if you could talk about the capabilities we have in this space. Also on coverage, if you could talk about the expected competitive intensity, how many more players do you expect to be approved as approved vendors, say, over the next six months to one year? I am not talking about the development vendors here. Then on the locomotive order, which is under execution, I wanted to understand if we are on track to complete that by December 25.</p> <p>And with respect to the rest of the players, since they haven't got the approval yet, what happens if the other players do not complete the order within the timelines? Would they be given a time extension or would it be re-tendered? Then on the coverage track orders, how much do we plan to execute in FY26? Then are the next set of orders you're expecting for local orders and track orders? And what are the key bottlenecks do you see in terms of execution for both local orders and track orders? Thank you.</p>

GBS Naidu Company Secretary	Thank you. Next.
Moderator	Thank you, sir. Thank you, ma'am. I now request our next speaker, Mr. Aman Vij, to kindly unmute, share the camera and proceed with the question.
Mr. Aman Vij	<p>Yeah, good afternoon, sir. I will not repeat the questions asked by the previous speaker. So my questions are on three categories.</p> <p>One is on the truck side, the electric truck side. So last AGM, you had talked about we expect something in next one year. So where we are? Are the trials already starting? Is there any video which you can show or can you talk about those things? And when can we expect some commercial orders to come for electric trucks? That is on this category.</p> <p>Second question is on torpedo side. Last time, you had talked about we are trying to indigenize motors as well as homing heads. So where are we in that journey? And when can we start supplying motors and homing heads also? Will we supply in FY26 these products also or in FY27? Final set of question is again on fuses, sir.</p> <p>I saw these, some of the tenders which are available, but interestingly, there are some very interesting fuses like 23mm fuse, which not many people make. Then there is this specific fuse, which is end game fuses. And then there is course corrective fuses.</p> <p>Are we developing these products? Are we even capable of developing these very interesting products? Could you talk about anything? And did anything change in the last three, six months? Why are we suddenly seeing so many fuse orders, which we never used to see till last one, two years back? Even your annual report talks about that. Now, this will become the second biggest in the next three to five years. Seems to be something has changed if you can talk about the same.</p> <p>So yeah, these were the questions from my side. Thank you. I've made a note. You can answer all of them.</p>
Moderator	<p>Thank you.</p> <p>I request Mr. Rupesh Gulabjan Tatia to kindly unmute, share the camera and proceed with the question. No feedback is received.</p> <p>I now invite our next speaker, Mr. Satish Venkatesalu to kindly unmute, share the camera and proceed with the question.</p>
Mr. Satish	Yeah, so my question is on nickel cadmium batteries. What kind of opportunities do you see in Middle East region for growth in these batteries? Also, can you share what does the pipeline or order book look like for these batteries? And in this segment, what is the difference in margin for domestic versus exports? Thank you.
Moderator	<p>Thank you, Mr. Satish.</p> <p>I now invite Ms. Smita Ashwin Shah to kindly unmute, share the camera and proceed with the question. Hi, just a minute. Ms. Smita Ashwin Shah, I request you to kindly unmute and proceed with the question.</p> <p>We have lost the connectivity.</p>

	<p>I now invite our next speaker, Mr. Raghumohan Rao Hajib Nagaraja Rao to kindly unmute, share the camera and proceed with the question.</p>
<p>Mr. Raghumohan Rao Hajib Nagaraja Rao</p>	<p>Hi, thank you for the opportunity. The question is, like on fuses, I have three other questions. Can you talk about the competitive intensity in this space? Who are the other players who have the capability to make these fuses for our Indian tenders? Also specifically, we are hearing that the government is encouraging private competition in ammunition manufacturing and supplies to the army and navy.</p> <p>Companies like Adani Defence, Reliance Infra have set up large ammunition capacities and will now directly compete with the likes of MIL and BEL. How does this change the dynamic for us, sir? Do these private companies have the ability to make their own electric fuse or will they continue to depend on the likes of us for the near future? What kind of fuse orders is HBL targeting? Is it 23 mm, 40, 50 or the larger calibre ones like 100 mm and further? And lastly, what is the cost for fuse? Do we make all the components of the fuse starting from the RF proximity sensor, safe and arm assembly, battery modules? Are there any components that we outsource or import? And I have one question on lithium-ion batteries, sir. Lithium-ion batteries for shipping, have we supplied anything in this phase? Okay.</p> <p>Thank you.</p>
<p>Moderator</p>	<p>Thank you, sir. Sir, with this, we have given opportunity to all the speaker shareholders. I hand it over back to you, sir</p>
<p>Dr. A J Prasad Chairman</p>	<p>Right. We will go back to the, the word fuse is often misunderstood and actually in the terminology, they write it with a Z or a Z and what it is, is a device that detonates an explosive.</p> <p>So you can imagine that every kind of explosive device will need a fuse. But remember a bullet doesn't do damage by explosion. It does damage by penetration.</p> <p>So, and it's a very low cost item. So bullets cannot have fuses. So the more complex a destructive device is, a destructive destruction accomplished by explosion, the more complex the fuse is.</p> <p>The simplest is a grenade. The most complicated is a nuclear weapon. They all have fuses of some sort.</p> <p>This is the first thing to remember. So in India, we started in HBL development of fuses because we realized that for decades, the government was buying mechanical fuses, which are essentially bigger, like the big watches that people used to wear in their chest and keep it in the pocket. Men used to put it in their pocket.</p> <p>It was about two inches or three inches in diameter and so thick. Most mechanical fuses look like that. And they were quite satisfactory until the end of the Second World War and the rest of the world moved on to electronic fuses because they're more precise, they're more reliable.</p> <p>Therefore, the mechanical fuses were no longer preferred, but most countries didn't want to sell. The Indian government didn't want to import and it went on and on for about, I don't know, 30 years after independence. It was in around 1975 that the army realized that the mechanical fuses quality is deteriorating and that they need to modernize.</p>

So typically, they went and signed up arrangements for import and it continued. As soon as I saw that it was being imported, I realized that here is what I look for in a technology gap. Actually, this set of questions gives me an opportunity to explain using this as an example of HBL's business model.

Okay, we knew nothing about fuses any more than you do today. Maybe you know something because of what I said. At that time, I didn't know that also.

So we looked at the problem and said, what are the components and what is the reason why there is a technology gap? And the closest to us was the battery. So we borrow adjacently from the battery. Now, it so happens that every electronic device needs a battery.

And so we started with batteries. And as of today, we're the only company in the country that makes batteries for fuses. And let me assure you that in the whole world, there may be five or maybe three, four countries with five or six factories.

That's it. This is important to keep in mind, how we got into it. And then we tried to look at the rest of it and found that it is also going to take time.

We started working on fuses in 2005, now about 20 years. Every single component in the fuses we supply except component, whether it's a battery or a detonator or a safety device, everything is made in-house. And people have been asking us, the army itself asked us, why don't you sell your batteries to BEL? And I said, why should I do that? I'm not interested.

So people are trying to put pressure, but this is a democratic country, so that will not happen. That was one of the questions that I think, who had this Raghu Mohan Rao, wanted to know whether he was 100% Indian, yes. And is it outsourced? No, we were only buying components from companies that had forging machines, which we didn't have.

But we find that we still have a second supplier, but it is not because we can't make it in-house. The second supplier is always good. So recent RFIs and why the fuse business has suddenly grown.

India wakes up in a crisis. To give you a classic example, everybody has now realized that this Operation Sindhoor, whatever extra-territorial activities it may have entrenched in, it highlighted the threat of drones. You can't launch a missile at a drone, nor can you rely upon a soldier firing a machine gun at a drone.

And just for interest, some countries have started working with aggressive birds, falcons and crows. Crows push the train to see an inward coming drone and attack it. The bird will die, but you know, it's a bird.

So this is one form of drone defence. But those were for very slow drones coming one at a time. Now it's going to be a very different game.

The army had an air defence and still has an air defence wing with a senior lieutenant general in charge. And they were very happy to import the fuse itself. For whatever reason, the foreign country that was supplying this fuse said we cannot supply any more.

It's then that the army wakes up and says, where is HBL? So, well, okay, we were aware of this device for a long time and when we wanted to talk, nobody was interested. So we said, fine, you know, whether it, he says, can you give me in three months? Can you give me in six months? I said, for that, I have to call Amazon. But since Amazon doesn't have it in their catalog, you know, we need some time.

And I mean, I get so frustrated. So other players, the two public sector companies, ECIL and BEL, essentially import the core, all the core components, they are imported. And if the foreign company stops, they will not be able to produce.

And they have been doing it in ammunition for the artillery guns, which was the biggest single market known to us at that time. What I came to understand later on is that if every explosive device needs a fuse, there are so many other devices that are based upon destruction by explosion. So we started looking at each of these.

One of the most amazing stories is the grenades. Grenade is something we see in all movies. You know, in the movie hero will pull the pin out of his mouth, which is a stupid thing to do, and throws it.

What happens when you throw a grenade is, it has to take a few seconds before it lands and explodes. We had this attack on the Taj Mahal Hotel, I forgot the year, they call it 2611? 2611. 2611, I forgot the year.

Two soldiers from a special forces that were asked to get into the hotel and drive the terrorists out, two died. One died because when he threw the grenade at the terrorist in the corridor, it didn't explode on time. That fellow threw it back, it exploded near the person who threw.

It came back. Okay, this can happen only in a hotel corridor. Second one died because it exploded too early.

So now, why this happened? Because they were using mechanical fuses. Or they call, some other, there's a name for this. It depends upon, pyro, they call it.

So the army wakes up again, and by this time, the defence R&D organization, ARD, was very helpful to us in getting us introduced to these customers because otherwise they're not authorized to talk. So we have developed fuses for grenades, and we are certified to produce grenades. We have got orders for grenades.

So we are using our fuses in these grenades. And after that, we realized that there were a lot more. Avalanche protection, you need to throw some sort of a shell into the snowbank, and that should also explode on time.

One of you asked about proximity. Yes, we have developed proximity fuses, and the air defence fuses are proximity fuses, which is why they were so difficult for the army to source. We have developed the proximity fuses.

They have been tested intensively in the company, but now they're going to be certified by whoever has to do the certification. We have developed fuses for rockets launched by the Navy from ships. We have developed fuses for

bombs dropped by the Air Force.

And there are a number of other applications which we need not go into detail, but our targets are all those. Ironically, the ammunition fuses are the least profitable of these businesses because they're bought in large volume. And so the margin per unit is low compared to the others.

So we are still in the ammunition business, for the two types of fuses were approved by the DRDO, but the third type, it might happen in a month or two. We're pretty close to it, but we are not giving it priority because the ministry itself is asking us to concentrate on others. How many guns were used in the last war? Artillery, you know, is a Second World War.

So they're saying, look, if you have limited time and limited resources, you go slowly on this. And I was about to tell my team, you know, just forget about the artillery. They said, no, sir, we're putting too much time on this.

We're not going to give up now. So, and if BEL and DCI, you know, want to continue to do that, let them do that. And I don't think that we want to, we will compete, we'll certainly bid.

But I keep remembering that it is very easy to produce something in small quantities. When you want to scale up, all the problems will come. So we're not in a hurry to take as many orders as we can and get indigestion.

We want to take it up. And the most profitable ones are what we will start. Because of all these reasons, somebody was asking why there are other players.

I don't know how many others are there. I don't think they're going to get anywhere. At the same time, I can't claim that we'll be the only monopoly, but it's not a threat.

All I can tell you is that the army itself will look for more than one source. We are quite happy with that. I think I've answered basic questions on the fuses.

And why I'm saying it will be FY 28 is if we are at this stage today, and I'm not going to jump and produce more than I can safely deliver. I'm taking the next year for that ramp up period. The recent RFIs were all connected with their defence.

The 23 and 30, the 40 millimetre. Now let's go back to Kavach. A Kavach is not a plug and play system like a laptop or a software.

It's a very complex system involving many, many components. And we had taken the risk of buying some of these components almost six to eight months before we even had a firm order in hand. And there are no bottlenecks in execution, except that having given us an order in December, 2025, we got certified for delivery only in May, sorry, 24.

We got this 4.0 qualification only in middle of May. So during this period, we took the risk of building up inventory and setting up a large production plant. And we have started supplies.

I think we will not be able to finish our entire order this year. So the question is, it's not a bottleneck. It's a question of how much a company can do.

What will happen after this? I think Yachna wanted to know, will it be retendered or somebody wanted to know. God knows. Strictly speaking, as per the contracts, I mean, the tender conditions, the companies that could not deliver have their orders forfeited.

May or may not happen. Anything can happen in India or nothing can happen. So I really don't know.

One possibility is to go strictly by the rule book. Others will forfeit their orders. They have to re-float.

In re-floating, they can say, take the same price instead of saying inflation and you want a higher price. Or they can say that, look, there's no point placing orders if you don't need them or if you don't want them. So it's very hard.

We are prepared for any possibility. But all I can tell you is that apart from the local orders, which were so unreasonably punched, we have a lot of orders for the track sections and which we have been going slow this year because of the local orders. Those track section orders will continue.

Those are booked for the next 24 months and there will be some local orders left because all the locals have not been ordered for this yet. So what will happen to this local order? I don't know. TMS and CTC, the only foreign, the competitors we have are all foreign.

And it was very difficult to get qualified without a previous reference. But now we have got that and I think that we're in a very comfortable position. But let me assure you all that it is not going to be like another Kavach thing.

The number of orders will be less. Maybe it'll be 100 or 200, 300 crores a year if they want to speed up. But competition is not our problem.

I think that takes care of these issues. Now, Mr. Vij wanted to talk about electric trucks. I explained at great length in this MDA and I would only urge you to read it.

But to answer your short questions, page of that, which was in, yes, page 10 and 11. Our business model has been changing. We, apart from the fact that we had no clue as to how to make a motor, we didn't have a clue about what is involved in an electric truck, but we focused on trucks and we started with the smaller trucks.

Then as we spent more time collecting data, we realized that the nature of electric drive is such that it will be more profitable for heavily used larger vehicles. So we finally picked on the 55 ton truck and then the 35 ton. Whatever effort we did building prototypes of smaller trucks has been dropped.

And if you notice what people have been saying about it in the industry, there are several companies trying to do it for five ton, seven ton, 12 ton. And there are already two other companies that have imported kits and are supplying 55 tons. We don't want to import the kit, though we are legally able to do that if

we're not looking for subsidy.

There's nothing that prevents us from importing a kit but what I believe is that for the limited volume that India will be able to afford, we will be competitive. I may be right, I may be wrong, we don't know.

But one thing is clear that the government's pressure to indigenize is increasing. And if you were in the government, you would say, look, how can I stop all imports when there is nobody making it in India? So I think that once we are able to prove that we're making it in India, the government will be emboldened to say, why are you, they're doing the same thing for passenger cars. And when you find that suddenly you are dependent on magnets and motors, these are things that happen with unpredictability.

Torpedo motors, we can start selling in FY28.

Prototypes will go in FY27. The homing head, we have been talking about it for two and a half years, and we finally took a decision to commit the budget. It will take at least three years more before we can get qualified.

So it is nothing that is counted for the next three or four years in my projection that we are going to reach this possibility of 4,500 crores. But these are all examples of products on which we have already been spending time and money. There is a pipeline.

And some of this pipeline I already talked about. The rest of the pipeline I don't want to talk about, as I have also explained, because it is competitively sensitive. But let me assure you that for the next five years, we have a lot of work to do in product development and R&D.

I am now pushing my team to come up with ideas for beyond five years. But as I said, for the next five years, we know what to do. Okay, let us imagine that all these products are completed.

What do we do then? And our R&D budget will increase. So what are you going to do? This is a question that we are not prepared for. But I am going to push them in two weeks.

And this is part of my job. So, Torpedo Motors, they have one other company in Bangalore. And the defence always wants at least two companies.

So it doesn't matter. And we also are comfortable with having one competitor. I have already answered the question of why the fuse orders are going up and how complex the fuse can be.

Nickel cadmium. Nickel cadmium is one of those mature industries which have a nominal rate of growth. It is not the basic.

When we started on nickel cadmium, it was already a mature industry. It was invented in around 1910.

So it was already a mature industry. But the number of suppliers is very limited. So we were able to develop the entire technology in-house.

And now we are able to export. Nickel cadmium batteries are one of the big

exports. And if you look at the summary that we have given here, the inner cover, I'm happy to say that this year our foreign exchange is 300 crores positive.

It was 5 years ago, it was only 100 crores. Now it has become 300. Most of these exports are coming from nickel cadmium batteries or defence batteries.

We are not exporting much in lead acid batteries because there are too many competitors. So there is nothing much to say about nickel cadmium. It is one of those things that are so critical for safety and performance that people are not easily going to change.

A telecom tower, for example, is a contrary example where a tower has to work. But if it does not, the company is not going to go bankrupt tomorrow. So they are switching to lithium.

And when everybody jumps on lithium and everybody can import sales, there is no margin in it. So we are not participating. In the nickel cadmium business, there is a margin difference between domestic and exports.

Our margin on exports is slightly higher, partly because the prices in those markets are higher. Where competition is limited, customers negotiate. We try to keep our prices about 20 percent less than the familiar brands they are accustomed to and we make a decent margin.

In India, we have one competitor. Again, it is a branch of a foreign company. So margins are, they are here to make sure we do not grow.

So that is fine. We have to live with it and they can afford to lose money. We cannot.

So there is a tussle going on like in any other field. Nothing more needs to be said about nickel cadmium. Private sector competition in ammunition.

The big companies are investing money in ammunition because thanks to the Ukraine war, the world has run out of ammunition shells. The artillery guns, the Russians can produce in a year, as I recall some American analysts predicting it, three times the combined capacity of Europe and America. Three times, combined capacity.

And because there was a lot of peace for such a long time, the companies more or less stopped production and suddenly they are being, now in this madness, every other country also is looking at its own stocks. There are no stocks. But most of these people are looking for a basic gun in which you can make a lot of noise and throw something at somebody.

It is more a deterrent than an effective tool of war. So the mechanical fuses they need are available from others and they are not coming to us, we are not going to them. The cost difference is nominal.

But when you are buying things like a commodity, so many of these ammunition companies are concentrating on that segment and mostly for exports. The government of India's Munitions India Limited exports have grown so heavily because they had underutilization of capacity. And I am glad to say that the corporate testing it, they have opened the, they have given the

	<p>freedom to all these organizations to do whatever they can.</p> <p>So that competition in ammunition is mostly on these 155 millimetre shells and we are not at all interested. They do not need our fuses. We do not need them for our customers.</p> <p>The targets of HBL, I have explained. There was a question of lithium batteries on ships. Yes, there is a sector coming up in India on, in the marine sector.</p> <p>But it is not going to be a very big thing yet because lithium batteries need, you know, it is not, first of all, most ships are not driven by batteries. One or two, less than one or two percent in the world are run with batteries, these are experimental things. But we are keeping track of what is happening in that sector and I might have something to tell you, maybe in December or March on where we stand.</p> <p>There are some interesting things going on, but that is about it, I think.</p>
<p>GBS Naidu Company Secretary</p>	<p>Thank you, Mr. Chairman.</p> <p>For the questions raised by the various speakers, the chairman has responded and now we will go into the next item in the agenda. As all of you have received an e-copy of the annual report in advance, reading the resolutions on the agenda items and speaking more on them directly during the meeting is not required. We have appointed Mr. Vinay Babu, company secretary in practice as scrutinizer for the purpose of scrutinizing the remote voting.</p> <p>The results of the voting will be declared by the chairman of the authorized person of the chairman of the meeting on or before 26th September 2025 on receipt of the report from the scrutinizer. I assume all the questions have been replied and with this note, we come to the end of today's proceedings. On behalf of the company, I take this opportunity to thank all the members for participating in the meeting and support to the company.</p> <p>I also take this opportunity to express our sincere thanks to our auditors, members of the board and employees for their continued support. As mentioned earlier, the InstaPoll e-voting facility will continue to be available till 15 minutes on conclusion of the meeting.</p> <p>After 15 minutes, the e-voting facility will be automatically disabled.</p> <p>So, thank you all and have a good day. With this, we conclude the meeting. Thank you.</p>

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