

**BharatNet remains key opportunity; Defence is expected to pick up from FY26E onwards.**

**CMP: INR 101**

**Rating: BUY**

**Target Price: INR 127**

**Stock Info**

BSE	500183
NSE	HFCL
Bloomberg	HFCD:LI
Reuters	HFCL.NS
Sector	Cables
Face Value (INR)	1
Equity Capital (INR cr)	144
Mkt Cap (INR cr)	14,545
52w H/L (INR)	171 / 80.2
Avg Yearly Volume (in 000')	28,166

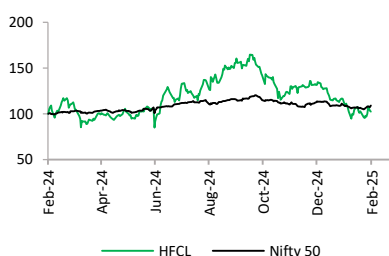
**Shareholding Pattern %**

(As on Dec, 2024)

Promoters	35.90
Public & Others	64.10

Stock Performance (%)	3m	6m	12m
HFCL	-22.1	-22.7	2.5
NIFTY	-3.9	-4.3	9.0

**HFCL vs Nifty**



**Abhishek Jain**

abhishek.jain@arihantcapital.com  
022-422548871

**Balasubramanian A**

bala@arihantcapital.com  
022-67114780

**HFCL Ltd** reported numbers, Q3FY25 revenue stood at INR 1,012cr (-2% YoY/-7.5% QoQ); below our estimates of INR 1,060cr. Gross Profit stood at INR 313cr (+12.7% YoY/-1.7% QoQ); above our estimates of INR 303cr. Gross margins improved by 403 bps YoY (up by 180 bps QoQ) to 30.9% vs 26.9% in Q3FY24. The raw material cost in terms of sales stood at 71.5% vs 73.1% in Q3FY24. EBITDA stood at INR 152cr (+29% YoY/-4.0% QoQ); above our estimates of INR 146cr. EBITDA margin improved by 360 bps YoY (up by 54 bps QoQ) to 15% vs 11.4% in Q3FY24. PAT stood at INR 73cr (-13% YoY/+0.4% QoQ); above our estimates of INR 66cr. PAT margin contracted by 91 bps YoY (up by 56 bps QoQ) to 7.2% vs 8.1% in Q3FY24.

**Key Highlights**

**Strong growth witnessed in Telecom Products:** Telecom Products revenue stood at INR 582cr (+60.1% YoY/+14.6% QoQ). EBIT stood at INR 38cr (+7.4% YoY/-10.6% QoQ); EBIT margin contracted by 319 bps YoY (down by 184 bps QoQ) to 6.5% vs 9.7% in Q3FY24. Telecom Products revenue share increased to 58% vs 35% in Q3FY24. Telecom products revenue is expected to reach from INR 143cr (FY24) to INR 1,500cr by FY25E. WiFi, access points, switches, routers, UBR, and products revenue is expected to reach INR 3000cr; once the company achieves INR 10,000cr mark revenue. The company has introduced advanced 4G & 5G backhauling and energy-efficient rural broadband connectivity solutions. Major demand is expected from data centers and the requirement for higher cables. Data centers and rural connectivity can be the growth drivers.

**Defence is expected to pick up from FY26E onwards:** HFCL has a large order to supply electronic fuses to one of the NATO countries. The NATO country wanted a certificate of testing from DRDO. The company has applied for testing; Ammunition is required for testing and delivery is given in 9 months. Their ammunitions are produced in government factories. The company has successfully cleared the user trail readiness review for the armament upgrade project of the Indian Army for BMP-2 Infantry Combat Vehicles. The company has inaugurated defence manufacturing facility in Hosur to boost defence manufacturing. Defence revenue is expected from FY26E onwards and gradually improve going forward.

**BharatNet Phase III can be the biggest opportunity:** The company has secured an order of INR 2,501cr (Capex – INR 1,245cr, O&M – INR 1,257cr) for the Punjab telecom circle. The company has secured an order from RVNL, a consortium partner with an order value of INR 2,167cr (Capex – INR 1,737cr, O&M – INR 431cr) for UP (East) and UP (West) telecom circles. In BharatNet Phase III, out of 16 circles; 3 circles are awarded, and a balance of 13 circles is expected to be awarded. HFCL is expected to get significant orders from balance 13 circles.

**Strong margins from EPC projects:** Turnkey Contracts and Services revenue stood at INR 430cr (-35.7% YoY/-26.6% QoQ). EBIT stood at INR 104cr (+1.4% YoY/+6.1% QoQ); EBIT margin improved by 892 bps YoY (up by 751 bps QoQ) to 24.3% vs 15.4% in Q3FY24. Turnkey EPC projects average margins are around 15% and the company is taking high-profitability EPC projects.

**Outlook & Valuation:** HFCL has a strong order book of INR 10,410cr (~2.3x of FY24 revenue) and regular order inflows in Telecom products. New telecom product launches will bring additional revenue. Hosur defence facility commenced operations and electronic fuses and other defence products are expected to supply from FY26E onwards. The company has received INR 4,000cr+ orders from BharatNet Phase III at 3 circles and significant opportunity from the balance 13 circles. The Capex for OF & OFC would bring additional revenue going forward. The BharatNet and US subsidy program would lead to great opportunities for the company. The revival of exports is backed by inventory normalization, capacity expansion, product portfolio expansion, and a strong client base that would drive the business going forward. At the CMP of INR 101 per share, we upgrade to a “BUY” (earlier “ACCUMULATE”) rating at a TP of INR 127 per share; valued at a PE multiple of 25x and its FY27E EPS of INR 5.1; an upside of 25.8%.

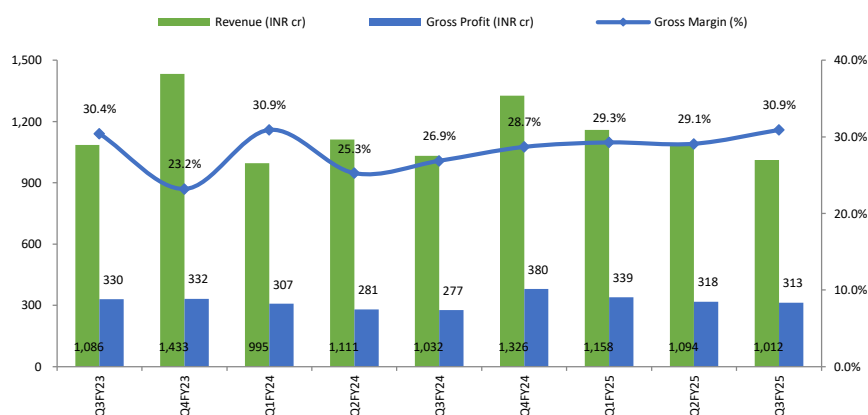
## Q3FY25 Results

## Income statement summary

Particular (INR cr)	Q3FY24	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Revenue	1,032	1,094	1,012	-2.0%	-7.5%
Net Raw Materials	755	776	699	-7.4%	-9.8%
<b>Gross profit</b>	<b>277</b>	<b>318</b>	<b>313</b>	<b>12.7%</b>	<b>-1.7%</b>
<b>Gross margin (%)</b>	<b>26.9%</b>	<b>29.1%</b>	<b>30.9%</b>	<b>+403 bps</b>	<b>+180 bps</b>
Employee Cost	90	89	94	4.9%	5.6%
Other Expenses	69	70	66	-4.7%	-6.0%
<b>EBITDA</b>	<b>118</b>	<b>158</b>	<b>152</b>	<b>29.0%</b>	<b>-4.0%</b>
<b>EBITDA Margin (%)</b>	<b>11.4%</b>	<b>14.5%</b>	<b>15.0%</b>	<b>+360 bps</b>	<b>+54 bps</b>
Depreciation	19	25	26		
Interest expense	37	45	47		
Other income	46.7	13.6	20.0		
<b>Profit before tax</b>	<b>109</b>	<b>101</b>	<b>100</b>	<b>-7.9%</b>	<b>-1.1%</b>
Taxes	25	29	28		
<b>PAT</b>	<b>83</b>	<b>72</b>	<b>73</b>	<b>-13.0%</b>	<b>0.4%</b>
<b>PAT Margin (%)</b>	<b>8.1%</b>	<b>6.6%</b>	<b>7.2%</b>	<b>-91 bps</b>	<b>+56 bps</b>
<b>EPS (INR)</b>	<b>0.6</b>	<b>0.5</b>	<b>0.5</b>		

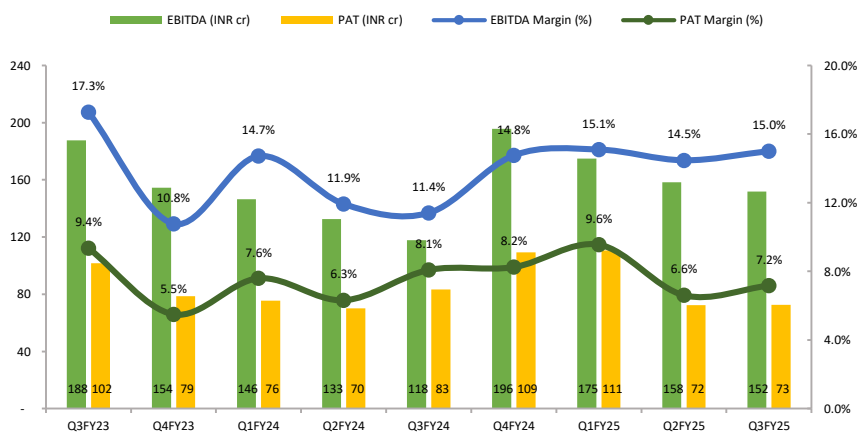
Source: Company Reports, Arianth Capital Research

**Exhibit 1: Gross margins improved by 403 bps YoY (up by 180 bps QoQ) to 30.9% Q3FY25 due to lower RM costs.**



Source: Company Reports, Arianth Capital Research

**Exhibit 2: EBITDA margin improved by 360 bps YoY (up by 54 bps QoQ) to 15% in Q3FY25 due to lower RM costs, however employee costs remain elevated in-terms of sales.**



Source: Company Reports, Arianth Capital Research

## Q3FY25 Concall Highlights

### Order book

- The order book stood at INR 10,410cr. The order book breakup is Network products – INR 4,196cr, Products – INR 2,525cr, and O&M – INR 3,689cr.
- The government order book stood at INR 8,527cr and the Private order book stood at INR 1,883cr.

### BharatNet Phase III

- In BharatNet Phase III, The company has secured an order of INR 2,501cr (Capex – INR 1,245cr, O&M – INR 1,257cr) for the Punjab telecom circle.
- The company has secured an order from RVNL, a consortium partner with an order value of INR 2,167cr (Capex – INR 1,737cr, O&M – INR 431cr) for UP (East) and UP (West) telecom circles.
- In BharatNet Phase III, out of 16 circles; 3 circles are awarded, and a balance of 13 circles is expected to be awarded.

### OF & OFC Realization

- **OFC price realization:** Q3FY25 – INR 840/f.km; Q2FY25 – INR 893/f.km and Q3FY24 – INR 1,073/f.km
- **OF price realization:** Q3FY25 – INR 266/f.km; Q2FY25 – INR 291/f.km and Q3FY24 – INR 329/f.km
- Glass preform is the raw material for OF and prices came down from USD 80-82/kg (Q3FY24) to USD 50-52/kg in Q3FY25.

### Telecom products

- Telecom products revenue stood at INR 1000cr as of 9MFY25. Around INR 350-400cr revenue is expected in Q4FY25. Earlier, the company had aspired revenue target of INR 2,000cr; however some of the deliveries got delayed due to software changes, etc; the Export market was also delayed and BharatNet was delayed by 6-9 months which impacted INR 500-600cr revenue of telecom products.
- Telecom products are manufactured on a contract basis through EMS companies. The company is integrating and testing the system. The company can increase the capacity immediately based on requirements.
- Telecom products revenue is expected to reach from INR 143cr (FY24) to INR 1,500cr by FY25E. major supply to private operators and PBT margins are expected at ~10% and some benefits of PLI.
- WiFi, access points, switches, routers, UBR, and products revenue is expected to reach INR 3000cr; once the company achieves INR 10,000cr mark revenue.

### Defence

- The company has been selected to develop and supply critical sub-systems for General Atomics – ASI's advanced Unmanned Aircraft Systems (UAS).
- The company has successfully cleared the user trial readiness review for the armament upgrade project of the Indian Army for BMP-2 Infantry Combat Vehicles.
- The company has inaugurated defence manufacturing facility in Hosur to boost defence manufacturing.
- The company has a large order to supply electronic fuses to one of the NATO countries. The NATO country wanted a certificate of testing from DRDO. The company has applied for testing. Ammunition is required for testing and delivery is given in 9 months. Their ammunitions are produced in government factories.
- Defence revenue is expected from FY26E onwards.

**Q3FY25 Concall Highlights****PLI**

- There is no PLI in FY25E; because telecom products do not meet the criteria. Around INR 40-50cr PLI is expected in FY26E.

**Revenue mix**

- The products and Projects mix is expected at 70:30 going forward. The company will take highly profitable EPC projects.
- OFC and Equipment's revenue mix stood at 50:50 in Telecom products.

**Margins**

- Turnkey project's average margins are around 15%.

**Market share**

- The company is the only Indian producer of 5G CPE; the rest is coming from Taiwan and others. Overall, the market share stood at 15%.
- The company has a market share of 90% for UBR. The company is supplying to BSNL and Vodafone.

**Demand**

- Around 80% of demand is for point-to multipoint radios, and the company is currently manufacturing point-to-point radios.
- OFC demand is lower due to more stock with operators less consumption and delayed projects.
- Major demand is expected from data centers and the requirement for higher cables. Data centers and rural connectivity can be the growth drivers.

**Capacity utilization**




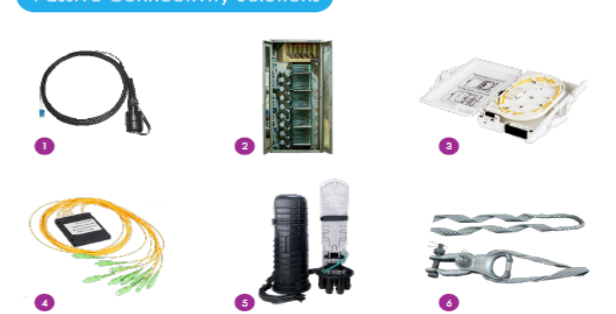
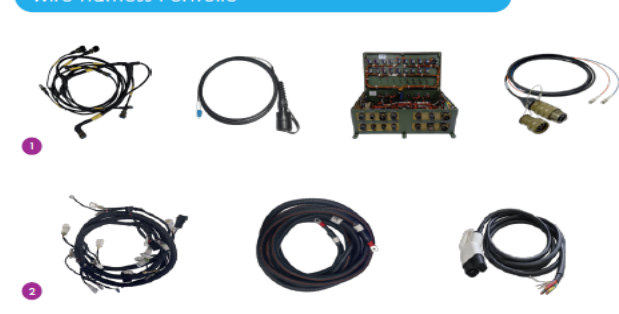
- Capacity utilization is around 50%.

**Other highlights**

- The company has introduced advanced 4G & 5G backhauling and energy-efficient rural broadband connectivity solutions.
- Union finance minister has announced broadband connections for all government secondary and primary schools, and healthcare centers in rural areas. It's an extension of BharatNet and demand is expected for connectivity equipment, wireless & wired equipment. HFCL has all kinds of connectivity equipment.
- There is no major impact on US tariffs.
- The router is the critical equipment for BharatNet.
- The company has supplied 2 lakh FWA and 3 lakh UBR.

## Products and New Launches

## Exhibit 3: Product Offerings

Telecom	Defence	
<p><b>Networking Products</b></p>  <ol style="list-style-type: none"> <li>1. Point to Point Unlicensed Band Backhaul Radio (UBR)</li> <li>2. Indoor &amp; Outdoor Wi-Fi 5, 6 and 7 Access Points</li> <li>3. Unified Cloud based Network management system</li> <li>4. Ethernet L2 Switches</li> <li>5. Home Mesh Routers</li> <li>6. 5G Indoor &amp; Outdoor FWA CPE</li> <li>7. IP/ MPLS Routers</li> </ol>	<p><b>Optic Fiber/ Optical Fibers Cables</b></p>  <ol style="list-style-type: none"> <li>1. Optic Fiber</li> <li>2. Armoured and Unarmoured Cable</li> <li>3. Micro Cable</li> <li>4. Micro Module Cable</li> <li>5. Ribbon Cable</li> <li>6. FTTH Cable</li> <li>7. IBR Cable</li> </ol>	<p><b>Electronics Products</b></p>  <ol style="list-style-type: none"> <li>1. Electronic FUZE</li> <li>2. High-capacity radio relay</li> <li>3. Ground Surveillance Radar</li> <li>4. Thermal Imaging Core (TI Core)</li> <li>5. Thermal Weapon Sights (TWS)</li> </ol>
<p><b>Passive Connectivity Solutions</b></p>  <ol style="list-style-type: none"> <li>1. Cable Assemblies</li> <li>2. High Density Cabinets</li> <li>3. Fiber Termination Box</li> <li>4. PLC Splitters</li> <li>5. Joint Closures</li> <li>6. Aerial/ FTTH Accessories</li> </ol>	<p><b>Wire Harness Portfolio</b></p>  <ol style="list-style-type: none"> <li>1. Aerospace and Defense cable assemblies</li> <li>2. Automotive cable assemblies</li> </ol>	
<p><b>Empowering global telcos with a wide range of new age products</b></p>	<p><b>Innovator in Indian defence technology space through indigenously developed products</b></p>	

Source: Company reports, Arianth Capital Research

Exhibit 4: HFCL has launched Telecom & Defence products and some of them under development. Telecom products revenue are expected to improve from INR 143cr (FY24) to INR 1,500cr in FY25E.

Fuelled by a sharp focus on innovation, we have created a comprehensive suite of next-gen connectivity and 5G backhauling products :

## Recent Launches:

## Public Communications

1. 5G Fixed Wireless Access Equipment
2. IP/ MPLS Routers
3. 1 Gbps UBR & 2 Gbps point to point UBR
4. Unified Cloud Network Management System
5. 1728 High fiber Intermittently Bonded Ribbon Cable

## Defence

1. Ground and Coastal Surveillance Radars of various types
2. Electronic Fuses
3. Night Vision devices
4. High Capacity Radio Relay



## Products Under Development



## Defense Communication &amp; Electronics

- Software defined radio
- Drone Detection Radar
- Multi Mode Hand Grenades

Source: Company reports, Arianth Capital Research

## Financial Statements

## Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenue	3,839	4,423	4,727	4,743	4,465	4,633	5,641	7,114
Net Raw Materials	2,934	3,404	3,499	3,479	3,220	3,271	3,965	4,973
Employee Cost	224	253	311	348	351	369	440	548
Other Expenses	186	217	268	298	313	308	369	458
<b>EBITDA</b>	<b>494</b>	<b>550</b>	<b>650</b>	<b>619</b>	<b>582</b>	<b>686</b>	<b>867</b>	<b>1,136</b>
<b>EBITDA Margin (%)</b>	<b>12.9%</b>	<b>12.4%</b>	<b>13.8%</b>	<b>13.0%</b>	<b>13.0%</b>	<b>14.8%</b>	<b>15.4%</b>	<b>16.0%</b>
Depreciation	(42)	(69)	(78)	(83)	(82)	(100)	(134)	(143)
Interest expense	(115)	(175)	(166)	(152)	(147)	(179)	(153)	(154)
Other income	22	35	43	47	101	58	68	153
<b>Profit before tax</b>	<b>358</b>	<b>337</b>	<b>442</b>	<b>431</b>	<b>454</b>	<b>465</b>	<b>648</b>	<b>992</b>
Taxes	(121)	(91)	(116)	(113)	(117)	(103)	(170)	(260)
<b>PAT</b>	<b>237</b>	<b>246</b>	<b>326</b>	<b>318</b>	<b>338</b>	<b>362</b>	<b>478</b>	<b>732</b>
<b>PAT Margin (%)</b>	<b>6.2%</b>	<b>5.6%</b>	<b>6.9%</b>	<b>6.7%</b>	<b>7.6%</b>	<b>7.8%</b>	<b>8.5%</b>	<b>10.3%</b>
Other Comprehensive income	1	5	2	2	130	-	-	-
<b>Total comprehensive income</b>	<b>238</b>	<b>251</b>	<b>328</b>	<b>319</b>	<b>467</b>	<b>362</b>	<b>478</b>	<b>732</b>
EPS (INR)	1.9	2.0	2.4	2.2	3.2	2.5	3.3	5.1

Source: Company Reports, Arianth Capital Research

## Balance sheet summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	128	128	137	138	144	144	144	144
Reserves	1,540	1,788	2,661	2,970	3,812	4,506	4,956	5,645
<b>Net worth</b>	<b>1,668</b>	<b>1,916</b>	<b>2,798</b>	<b>3,108</b>	<b>3,956</b>	<b>4,650</b>	<b>5,100</b>	<b>5,789</b>
Minority Interest	(0)	7	20	37	44	44	44	44
Provisions	43	49	45	53	60	27	32	23
Debt	1,218	1,348	1,172	1,137	1,432	1,312	1,232	1,332
Other non-current liabilities	-	-	-	29	77	28	34	43
<b>Total Liabilities</b>	<b>2,929</b>	<b>3,320</b>	<b>4,035</b>	<b>4,363</b>	<b>5,569</b>	<b>6,060</b>	<b>6,443</b>	<b>7,231</b>
Fixed assets	437	443	465	487	496	1,150	1,630	1,652
Capital Work In Progress	15	12	47	71	154	64	85	36
Other Intangible assets	40	42	74	215	433	523	523	523
Goodwill	26	26	26	26	26	26	26	26
Investments	87	46	87	102	255	255	254	285
Other non current assets	37	45	47	57	60	60	73	92
<b>Net working capital</b>	<b>1,535</b>	<b>1,931</b>	<b>2,366</b>	<b>2,537</b>	<b>3,265</b>	<b>2,621</b>	<b>2,690</b>	<b>3,200</b>
Inventories	344	435	573	758	774	771	891	1,063
Sundry debtors	1,730	3,056	2,492	2,309	2,736	2,158	2,241	2,729
Loans & Advances	21	18	37	31	29	19	23	28
Other current assets	341	318	401	548	644	635	695	819
Sundry creditors	(815)	(1,748)	(1,037)	(878)	(808)	(854)	(1,046)	(1,310)
Other current liabilities & Prov	(85)	(148)	(99)	(232)	(110)	(107)	(113)	(128)
Cash	192	306	528	323	336	806	512	634
Other Financial Assets	560	468	395	546	544	556	649	783
<b>Total Assets</b>	<b>2,929</b>	<b>3,320</b>	<b>4,035</b>	<b>4,363</b>	<b>5,569</b>	<b>6,060</b>	<b>6,443</b>	<b>7,231</b>

Source: Company Reports, Arianth Capital Research

## Du-Pont Analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.7	0.7	0.7	0.7	0.7	0.8	0.7	0.7
Interest burden (x)	0.8	0.7	0.8	0.8	0.9	0.8	0.9	1.0
EBIT margin (x)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Asset turnover (x)	1.3	1.1	1.0	1.0	0.9	0.9	1.0	1.1
Financial leverage (x)	1.8	2.2	1.9	1.5	1.4	1.3	1.2	1.2
<b>RoE (%)</b>	<b>15.3%</b>	<b>13.7%</b>	<b>13.8%</b>	<b>10.8%</b>	<b>9.6%</b>	<b>8.4%</b>	<b>9.8%</b>	<b>13.4%</b>

Source: Company Reports, Arianth Capital Research

## Financial Statements

## Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	358	337	442	431	454	465	648	992
Depreciation	42	69	78	83	82	100	134	143
Tax paid	(121)	(91)	(116)	(113)	(117)	(103)	(170)	(260)
Working capital Δ	(504)	(396)	(434)	(171)	(728)	644	(69)	(510)
<b>Operating cashflow</b>	<b>(225)</b>	<b>(81)</b>	<b>(30)</b>	<b>230</b>	<b>(309)</b>	<b>1,106</b>	<b>542</b>	<b>365</b>
Capital expenditure	(228)	(72)	(135)	(128)	(174)	(664)	(635)	(116)
<b>Free cash flow</b>	<b>(452)</b>	<b>(153)</b>	<b>(166)</b>	<b>101</b>	<b>(483)</b>	<b>442</b>	<b>(93)</b>	<b>249</b>
Equity raised	15	9	588	33	547	353	0	(0)
Investments	6	41	(41)	(15)	(153)	(0)	1	(31)
Others	47	81	39	(302)	(219)	(102)	(106)	(153)
Debt financing/disposal	422	130	(176)	(35)	295	(120)	(80)	100
Dividends paid	(15)	-	(19)	(24)	(29)	(21)	(28)	(43)
Other items	10	6	(4)	37	55	(83)	12	(0)
<b>Net Δ in cash</b>	<b>32</b>	<b>115</b>	<b>222</b>	<b>(206)</b>	<b>14</b>	<b>469</b>	<b>(294)</b>	<b>122</b>
<b>Opening Cash Flow</b>	<b>159</b>	<b>192</b>	<b>306</b>	<b>528</b>	<b>323</b>	<b>336</b>	<b>806</b>	<b>512</b>
<b>Closing Cash Flow</b>	<b>192</b>	<b>306</b>	<b>528</b>	<b>323</b>	<b>336</b>	<b>806</b>	<b>512</b>	<b>634</b>

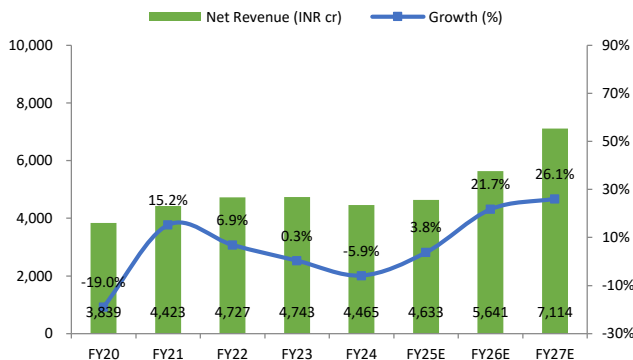
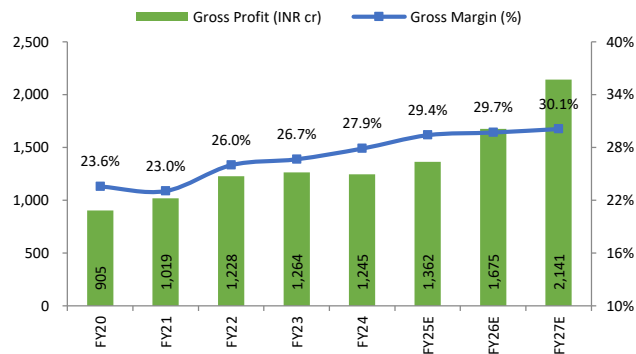
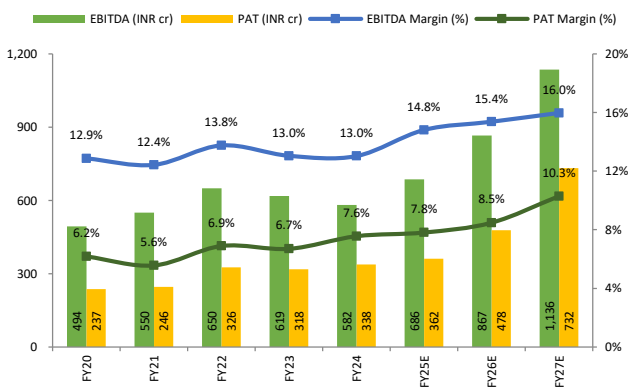
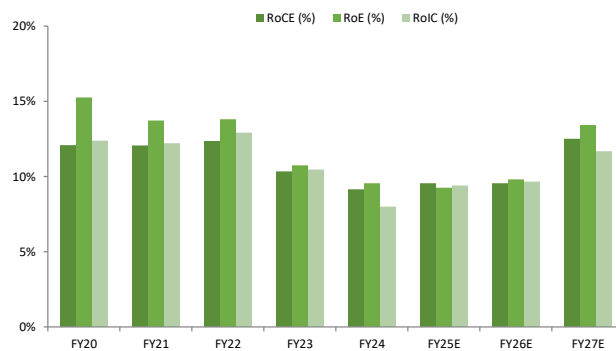
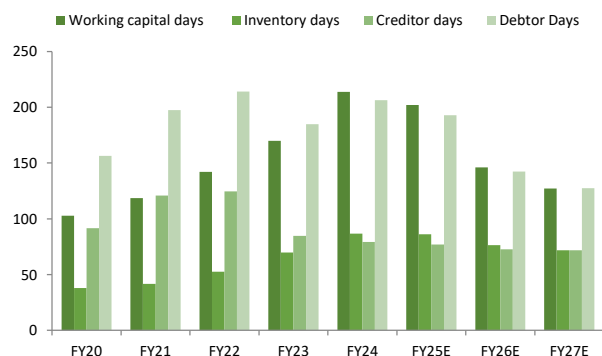
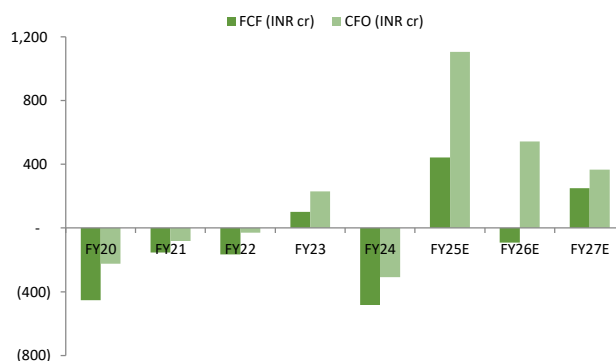
Source: Company Reports, Arianth Capital Research

## Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth matrix (%)</b>								
Revenue growth	-19.0%	15.2%	6.9%	0.3%	-5.9%	3.8%	21.7%	26.1%
Op profit growth	18.9%	11.2%	18.3%	-4.8%	-6.0%	17.9%	26.3%	31.0%
<b>Profitability ratios (%)</b>								
OPM	12.9%	12.4%	13.8%	13.0%	13.0%	14.8%	15.4%	16.0%
Net profit margin	6.2%	5.6%	6.9%	6.7%	7.6%	7.8%	8.5%	10.3%
RoCE	12.1%	12.1%	12.4%	10.3%	9.2%	9.6%	9.6%	12.5%
RoNW	15.3%	13.7%	13.8%	10.8%	9.6%	9.3%	9.8%	13.4%
RoA	8.1%	7.4%	8.1%	7.3%	6.1%	6.0%	7.4%	10.1%
<b>Per share ratios (INR)</b>								
EPS	1.9	2.0	2.4	2.3	3.2	2.5	3.3	5.1
Dividend per share	0.1	-	0.1	0.2	0.2	0.1	0.2	0.3
Cash EPS	2.2	2.5	2.9	2.9	2.9	3.2	4.2	6.1
Book value per share	13.0	14.9	20.4	22.6	27.5	32.3	35.4	40.2
<b>Valuation ratios (x)</b>								
P/E	54.4	51.6	42.4	43.5	31.1	40.2	30.4	19.9
P/CEPS	46.4	41.2	34.4	34.7	34.7	31.5	23.8	16.6
P/B	7.8	6.8	5.0	4.5	3.7	3.1	2.9	2.5
EV/EBITDA	28.2	25.4	22.2	23.6	26.5	21.6	17.3	13.2
<b>Payout (%)</b>								
Dividend payout	6.5%	0.0%	5.8%	7.7%	8.5%	5.8%	5.8%	5.8%
Tax payout	33.8%	26.9%	26.3%	26.2%	25.7%	22.2%	26.2%	26.2%
<b>Liquidity ratios</b>								
Debtor days	157	197	214	185	206	193	142	127
Inventory days	38	42	53	70	87	86	76	72
Creditor days	92	121	125	85	79	77	73	72
WC Days	103	118	142	170	214	202	146	127
<b>Leverage ratios (x)</b>								
Interest coverage	3.9	2.8	3.4	3.5	3.4	3.3	4.8	6.5
Net debt / equity	0.6	0.5	0.2	0.3	0.3	0.1	0.1	0.1
Net debt / op. profit	2.1	1.9	1.0	1.3	1.9	0.7	0.8	0.6

Source: Company Reports, Arianth Capital Research

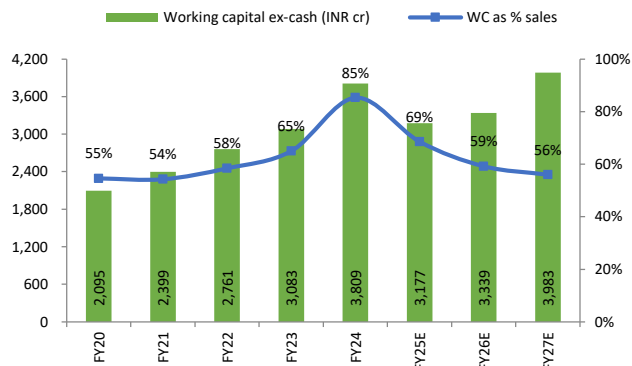
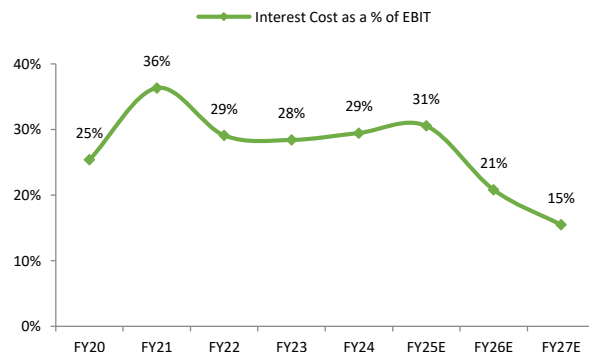
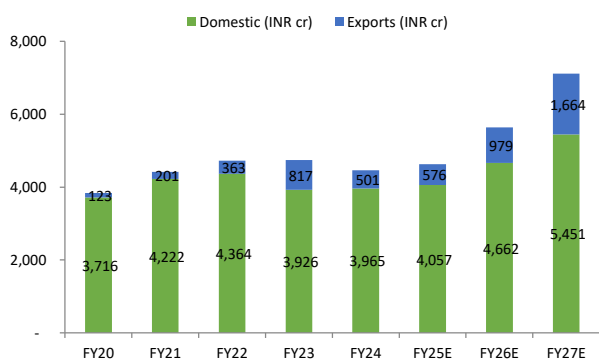
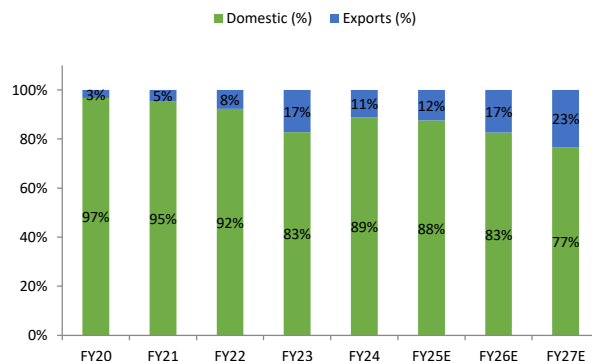
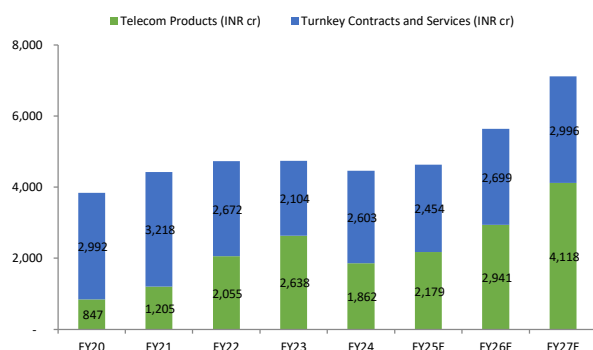
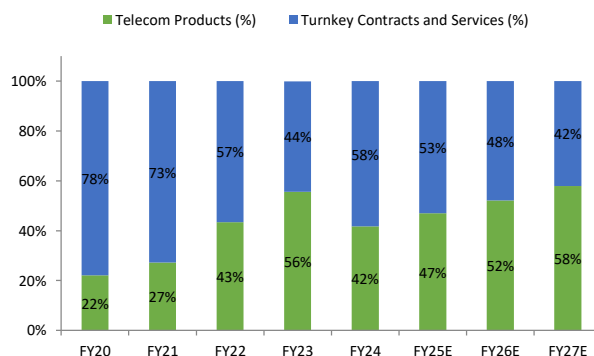
## Story in Charts

**Exhibit 5: Revenue is expected to grow at 16.8% CAGR over the period of FY24-FY27E.****Exhibit 6: Softening of RM costs will lead to improvement in gross margins.****Exhibit 7: Growth in EBITDA & PAT levels****Exhibit 8: Return ratios to be improve****Exhibit 9: Telecom products WC cycle is lower and increase in products share would improved working capital days.****Exhibit 10: Cash flows to be improve**

Source: Company reports, Arianth Capital Research



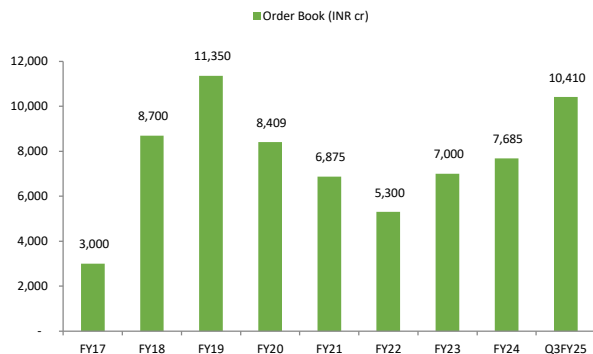
## Story in Charts

**Exhibit 11: Working capital in-terms of sales is expected to reduce going forward due to change in products mix.****Exhibit 12: Interest cost as % of EBIT is expected to reduce going forward.****Exhibit 13: Electronic Fuses is expected to supply from FY26E. Exports will pick-up for Telecom and Defence.****Exhibit 14: Exports revenue share is expected to be above 15% in FY26E and expected to reach 40% over 3-5 years.****Exhibit 15: Telecom products growth is expected to be faster backed by new launches, while EPC revenue growth is expected to moderate.****Exhibit 16: Telecom products share is expected to increase going forward.**

Source: Company reports, Arihant Capital Research

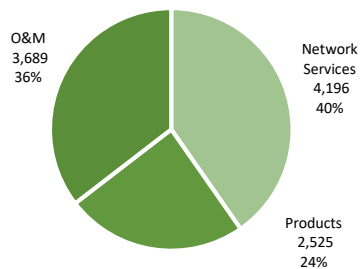
## Story in Charts

**Exhibit 17: The order book stood at INR 10,410cr which shows revenue visibility going forward.**



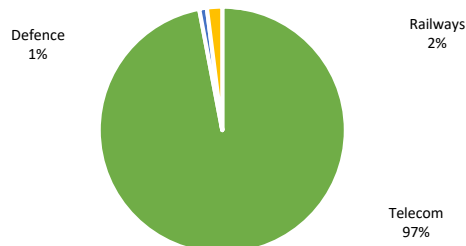
**Exhibit 19: Telecom order book stood at INR 2,525cr and Telecom orders keep coming on regular basis.**

Order book (INR cr, %) - Q3FY25

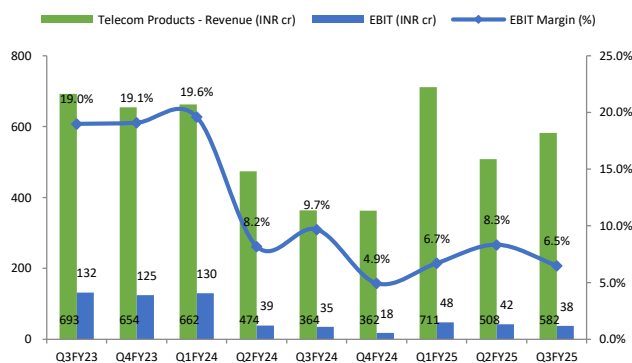


**Exhibit 18: Public telecommunication revenue accounts 97% in Q3FY25.**

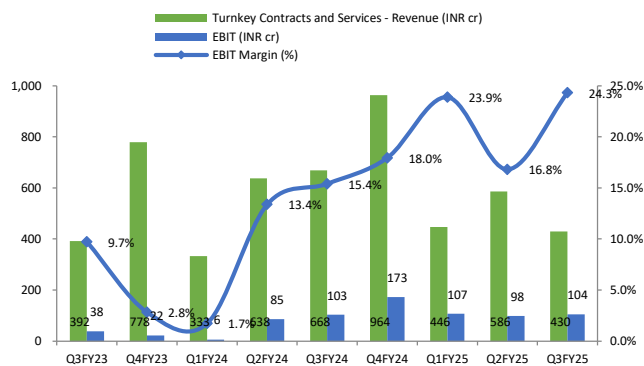
Revenue breakup - Q3FY25 (%)



**Exhibit 20: Telecom products business impacted due to lower capacity utilization in Q3FY25.**

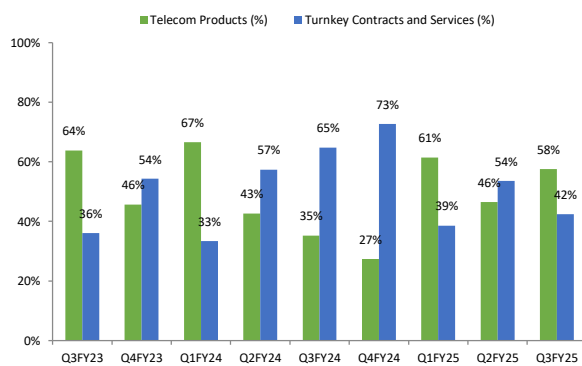


**Exhibit 21: EPC margins reached above 20% in Q3FY25.**



Source: Company reports, Arianth Capital Research

**Exhibit 22: Telecom products revenue share stood at 58% as of Q3FY25. it's expected to reach 70% going forward.**



**Arihant Research Desk**Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 <sup>st</sup> Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	<a href="http://www.arihantcapital.com">www.arihantcapital.com</a>	<a href="mailto:instresearch@arihantcapital.com">instresearch@arihantcapital.com</a>

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Arihant Capital Markets Ltd.  
1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800 Fax. 022-42254880