

**Data center will be a key opportunity. Defence is expected to pick up from FY26E onwards.**

**CMP: INR 87**

**Rating: BUY**

**Target Price: INR 117**

**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)	12,546
52w H/L (INR)	171 / 71.5
Avg Yearly Volume (in 000')	25,458

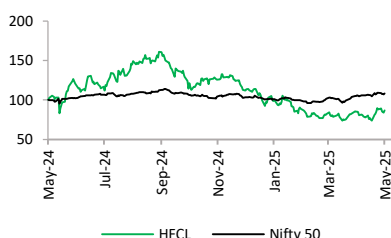
**Shareholding Pattern %**

(As on Mar, 2025)

Promoters	34.37
Public & Others	66.63

Stock Performance (%)	3m	6m	12m
HFCL	2.5	-13.8	-13.4
NIFTY	5.1	7.1	8.2

**HFCL vs Nifty**



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HFCL Ltd reported numbers, Q4FY25 revenue stood at INR 801cr (-39.6% YoY/-20.9% QoQ); below our estimates of INR 1,169cr. Gross Profit stood at INR 151cr (-60.2% YoY/-51.6% QoQ); below our estimates of INR 336cr. Gross margins contracted by 978 bps YoY (down by 1199 bps QoQ) to 18.9% vs 28.7% in Q4FY24. The raw material cost in terms of sales stood at 81.1% vs 71.3% in Q4FY24. EBITDA stood at INR -36cr (-118.4% YoY/-123.7% QoQ); below our estimates of INR 172cr. EBITDA margin stood at -4.5% vs 14.8% in Q4FY24. PAT stood at INR -83cr vs INR 109cr in Q4FY24, below our estimates of INR 85cr. PAT margin stood at -10.4% vs 8.2% in Q4FY24.

**Key Highlights**

**Strong growth expected in OFC and Telecom Products:** Telecom Products revenue stood at INR 611cr (+68.7% YoY/+4.9% QoQ). EBIT stood at INR 5cr (-69.8% YoY/-85.8% QoQ); EBIT margin contracted by 405 bps YoY (down by 562 bps QoQ) to 0.9% vs 4.9% in Q4FY24. Telecom Products revenue share increased to 76% vs 27% in Q4FY24. OFC revenue is expected to double (100% YoY growth) in FY25, driven by hyperscale data centers and 5G rollouts. Telecom equipment, including routers and fixed wireless access (FWA) devices, is also expected to contribute significantly, with orders worth INR 800cr already secured for MPLS routers.

**Defence revenue is expected to pick up from Q2FY26E onwards:** Defence revenue is expected from new product launches, including surveillance radars and electronic fuses. Defence revenue is expected from Q2FY26E onwards. HFCL is focusing on indigenously developed defence products, including ground surveillance radars, night vision devices, electronic fuses, and drone detection radars. The Hosur facility is operational, and production of thermal weapon sights and other equipment has begun. Collaborations with DRDO for technologies like Compact Trans Horizon Communication and multimode grenades are expected to enhance the product portfolio.

**Strong order book shows business visibility:** The order book stood at INR 9,967cr as of Q4FY25. Telecom products order book stood at INR 2,227cr; Remaining INR 1,100 cr comes from telecom equipment, including INR 800cr from indigenous MPLS routers designed for 5G backhaul and enterprise networks, and INR 174cr from 5G Fixed Wireless Access (FWA) equipment, and the balance from Wi-Fi 7 access points, switches, and optical transport networks. EPC order book stood at INR 4,000cr and 40% of the order book from BharatNet. O&M order book stood at INR 3,675cr and durations spanning 7 to 10 years. Defence orders stood at INR 1,000cr for surveillance radars, electronic fuses, etc. The strong order book, uptick in OFC demand, telecom products and defence potential shows business visibility.

**Strong margins from EPC projects:** Turnkey Contracts and Services revenue stood at INR 190cr (-80.3% YoY/-55.9% QoQ). EBIT stood at INR -56cr vs INR 173cr in Q4FY24. EBIT margin stood at -29.8% vs 18% in Q4FY24. The EPC segment, impacted by delayed customer decisions, is expected to recover with BharatNet and other projects.

**Outlook & Valuation:** HFCL has a strong order book of INR 9,967cr (~2.5x of FY25 revenue) and regular order inflows in Telecom products. Telecom Products like Routers, Fixed Wireless Access Terminals for 5G applications, and new products like Wi-Fi 7 access points and higher capacity Unlicensed band radios will be a key growth driver. Defence revenue is expected from new product launches, including surveillance radars and electronic fuses. Defence revenue is expected from Q2FY26E onwards. The telcos inventories are almost cleared, and OFC demand is witnessing up-tick. The demand is coming from hyperscale data centers will be a key growth driver. 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 87 per share, we maintain our "BUY" rating at a TP of INR 117 per share based on DCF; an upside of 34.3%.

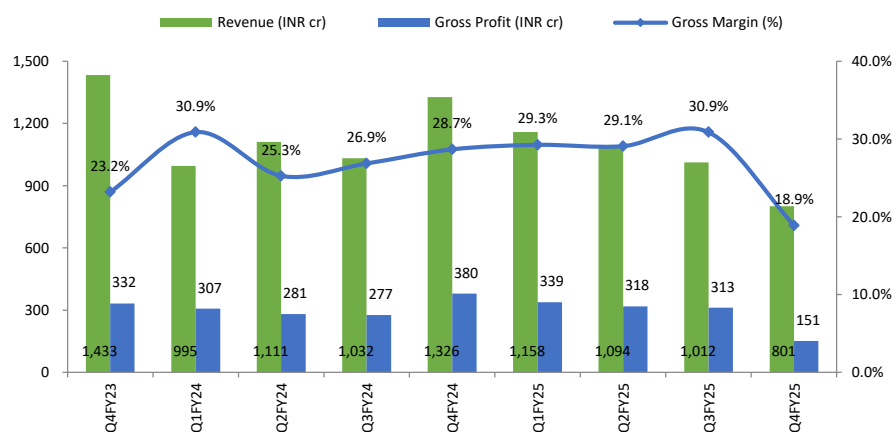
## Q4FY25 Results

## Income statement summary

Particular (INR cr)	Q4FY24	Q3FY25	Q4FY25	YoY (%)	QoQ (%)
Revenue	1,326	1,012	801	-39.6%	-20.9%
Net Raw Materials	946	699	649	-31.3%	-7.1%
<b>Gross profit</b>	<b>380</b>	<b>313</b>	<b>151</b>	<b>-60.2%</b>	<b>-51.6%</b>
<b>Gross margin (%)</b>	<b>28.7%</b>	<b>30.9%</b>	<b>18.9%</b>	<b>-978 bps</b>	<b>-1199 bps</b>
Employee Cost	88	94	91	3.8%	-3.8%
Other Expenses	97	66	96	-0.7%	45.6%
<b>EBITDA</b>	<b>196</b>	<b>152</b>	<b>(36)</b>	<b>-118.4%</b>	<b>-123.7%</b>
<b>EBITDA Margin (%)</b>	<b>14.8%</b>	<b>15.0%</b>	<b>-4.5%</b>		
Depreciation	20	26	30		
Interest expense	40	47	51		
Other income	13.6	20.0	13.6		
<b>Profit before tax</b>	<b>149</b>	<b>100</b>	<b>(105)</b>		
Taxes	40	28	(22)		
<b>PAT</b>	<b>109</b>	<b>73</b>	<b>(83)</b>		
<b>PAT Margin (%)</b>	<b>8.2%</b>	<b>7.2%</b>	<b>-10.4%</b>		
<b>EPS (INR)</b>	<b>0.8</b>	<b>0.5</b>	<b>(0.6)</b>		

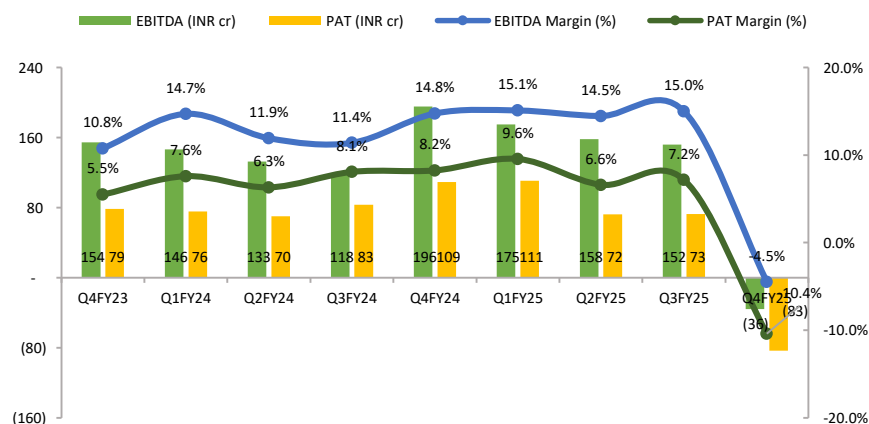
Source: Company Reports, Arianth Capital Research

**Exhibit 1: Gross margins contracted by 978 bps YoY (down by 1199 bps QoQ) to 18.9% Q4FY25 due to higher RM costs.**



Source: Company Reports, Arianth Capital Research

**Exhibit 2: EBITDA margin stood at -4.5% in Q4FY25, the lower gross margin, higher employee cost and other expenses impacted EBITDA margins.**



Source: Company Reports, Arianth Capital Research

## Q4FY25 Concall Highlights

### Revenue

- Revenue growth is expected to grow 20%-25% YoY in FY26E.

### Order book

- The order book stood at INR 9,967cr.
- Around INR 2,227cr from telecom products; out of this INR 1,100cr orders from optical fiber cables (OFC) catering to both domestic and export markets, including hyperscale data centers, BharatNet, and 5G rollouts.
- Remaining INR 1,100 cr comes from telecom equipment, including INR 800 cr from indigenous MPLS routers designed for 5G backhaul and enterprise networks, INR 174 cr from 5G Fixed Wireless Access (FWA) equipment, and the balance from Wi-Fi 7 access points, switches, and optical transport networks.
- EPC order book stood at INR 4,000cr and 40% of the order book from BharatNet. The company has adopted a cautious approach toward EPC orders, prioritizing projects with assured payments, even declining an INR 2,400cr order due to payment uncertainties.
- O&M order book stood at INR 3,675cr and durations spanning 7 to 10 years.
- Defence orders stood at INR 1,000cr for surveillance radars, electronic fuses, etc. The company also received an INR 44cr order from the Indian Army for tactical cables.

### Defence

- Defence revenue is expected from new product launches, including surveillance radars and electronic fuses. Defence revenue is expected from Q2FY26E onwards.
- HFCL is focusing on indigenously developed defence products, including ground surveillance radars, night vision devices, electronic fuses, and drone detection radars.
- The Hosur facility is operational, and production of thermal weapon sights and other equipment has begun.
- Collaborations with DRDO for technologies like Compact Trans Horizon Communication and multimode grenades are expected to enhance the product portfolio.

### OFC and Telecom Equipment

- OFC revenue is expected to double (100% growth), driven by hyperscale data centers and 5G rollouts.
- Telecom equipment, including routers and fixed wireless access (FWA) devices, is also expected to contribute significantly, with orders worth INR 800cr already secured for MPLS routers.

### OF & OFC Prices

- OF prices stood at INR 259/f.km in Q4FY25, slightly lower compared to INR 266/f.km in Dec-24.
- OFC prices stood at INR 905/f.km in Q4FY25, a slight increase from INR 840/f.km in FY24 due to demand from hyperscale data centers.

### Capex & Capacity utilization

- The capex is expected to be INR 138cr for OFC expansion and INR 50cr for defence.
- OF and OFC capacity utilization stood at 45% and 40%, respectively in FY25. Full capacity utilization is expected to reach from Jul-25 onwards.

**Q4FY25 Concall Highlights****Exports**

- Exports revenue stood at 12% of sales in FY25.
- The company is targeting North America and Europe for OFC and telecom equipment. Exports to North America remain a primary focus, followed by Europe and Southeast Asia.
- Reciprocal tariffs (10%) are currently manageable, with costs shared between the company and customers.

**R&D**

- The company has developed India's first 5G FWA customer premises equipment, with over 4 lakh units dispatched. Indigenous MPLS routers and Wi-Fi 7 access points are other innovations poised for growth.
- The company is also investing in AI, IoT, and quantum technologies to align with global trends.

**Data Centers and Hyperscale Demand**

- Hyperscale data centers are driving exponential demand for high-capacity OFC, particularly in the US.
- Traditional telecom applications use 96-fiber cables, while hyperscale data centers require cables with 864 fibers or more, offering higher revenue potential. This trend is fueled by the rapid adoption of artificial intelligence, cloud computing, and IoT, which are expected to sustain demand for at least the next five years.
- The company is well-positioned to capitalize on this trend with its data center-grade cables. The company expects this demand to sustain for at least five years, supported by AI and cloud computing growth.

**Passive connectivity solutions**

- The company is focused to expand passive connectivity solutions globally from FY26E onwards. The company is targeting high-value applications such as hyperscale data centers, which require advanced intra-data-center connectivity solutions alongside high-count fiber cables.
- This segment is expected to benefit from the growing demand for patch panels, distribution frames, and other passive components that complement OFC deployments.

**EPC**

- The EPC segment, impacted by delayed customer decisions, is expected to recover with BharatNet and other projects.

## Products and New Launches

## Exhibit 3: Product Offerings

### Telecom

#### Networking Products

1. Point to Point Unlicensed Band Backhaul Radio (UBR)
2. Indoor & Outdoor Wi-Fi 5, 6 and 7 Access Points
3. Unified Cloud based Network Management System
4. Ethernet L2 Switches
5. Home Mesh Routers
6. 5G Indoor & Outdoor FWA CPE
7. IP/ MPLS Routers

#### Optic Fiber/ Optical Fibers Cables

1. Optic Fiber
2. Armoured and Unarmoured Cable
3. Micro Cable
4. Micro Module Cable
5. Ribbon Cable
6. FTTH Cable
7. IBR Cable

Empowering global telcos with a wide range of new age products

### Defence

#### Electronics Products

1. Electronic FUZE
2. High-capacity Radio Relay
3. Ground Surveillance Radar
4. Thermal Imaging Core (TI Core)
5. Thermal Weapon Sights (TWS)

Innovator in Indian defence technology space through indigenously developed products

### Passive Connectivity Solutions

1. Cable Assemblies
2. High Density Cabinets
3. Fiber Termination Box
4. PLC Splitters
5. Joint Closures
6. Aerial/ FTTH Accessories

Supplying high quality compatible passive connectivity solutions for catering to high-speed networks

### Wire Harness Portfolio

1. Aerospace and Defense Cable Assemblies
2. Automotive Cable Assemblies

Supplier of highly specialised, custom designed cables for the aerospace and automotive sectors

Source: Company reports, Arianth Capital Research

Exhibit 4: HFCL has launched Telecom &amp; Defence products and some of them under development. Defence revenue is expected from Q2FY26E onwards.

### Products Under Development

#### Telecommunication and Networking

- Variants for Wi-Fi 6 and Wi-Fi 7 Access Points
- New 4 Gbps Unlicensed Band Radio
- Variants of IP/MPLS Routers
- Global variants of Outdoor FWA CPEs

Wi Fi 7 Outdoor Access Point	Wi Fi 6 Indoor Solution	UBR	IP/ MPLS Routers	FWA CPE
Software Defined Radio	Drone Detection Radar	Multi mode Hand Grenade		

### Products Under Development

#### Defence Communication and Electronics

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

Source: Company reports, Arianth Capital Research

### Outlook & Valuation

HFCL has a strong order book of INR 9,967cr (~2.5x of FY25 revenue) and regular order inflows in Telecom products. Telecom Products like Routers, Fixed Wireless Access Terminals for 5G applications, and new products like Wi-Fi 7 access points and higher capacity Unlicensed band radios will be a key growth driver. Defence revenue is expected from new product launches, including surveillance radars and electronic fuses. Defence revenue is expected from Q2FY26E onwards. The telcos inventories are almost cleared, and OFC demand is witnessing up-tick. The demand is coming from hyperscale data centers will be a key growth driver. 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 87 per share, we maintain our "BUY" rating at a TP of INR 117 per share based on DCF; an upside of 34.3%.

### DCF Valuation

Valuation Assumptions		Valuation Data		WACC	
g (World Economic Growth)	3.5%	Total Debt (long term borrowings) (2025)	400	We	96.9%
Rf	6.2%	Cash & Cash Equivalents (2025)	491	Wd	3.1%
Rm	11%	Number of Diluted Shares (2025)	144	Ke	10.5%
Beta	0.9	Tax Rate (2026)	26%	Kd	8.9%
CMP (INR)	87	Interest Expense Rate (2026)	12%	<b>WACC</b>	<b>10.5%</b>
		MV of Equity	12,546		
		Total Debt	400		
		<b>Total Capital</b>	<b>12,946</b>		

FCFF & Target Price												
FCFF & Target Price	Explicit Forecast Period						Linear Decline Phase				Terminal Yr	
Particular (INR cr)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
EBIT * (1-Tax Rate)	429	573	714	846	987	1,179	1,376	1,569	1,749	1,902	2,019	2,090
Dep	94	103	112	118	134	141	193	220	245	266	283	293
Purchase of Assets	(260)	(146)	(148)	(115)	(101)	(103)	(83)	(94)	(105)	(114)	(121)	(125)
Changes in Working Capital	492	(609)	353	(93)	(138)	(465)	(69)	(78)	(87)	(95)	(101)	(104)
FCFF	756	(79)	1,029	757	883	752	1,417	1,616	1,801	1,959	2,080	2,153
Terminal Value											30,880	
<b>Total Cash Flow</b>	<b>756</b>	<b>(79)</b>	<b>1,029</b>	<b>757</b>	<b>883</b>	<b>752</b>	<b>1,417</b>	<b>1,616</b>	<b>1,801</b>	<b>1,959</b>	<b>32,960</b>	
Enterprise Value (EV)	16,757											
Less: Debt	400											
Add: Cash	491											
Equity Value	16,849											
<b>Equity Value per share (INR)</b>	<b>117</b>											

**% Returns** **34.3%**

**Rating** **BUY**

### Sensitivity Analysis

		Terminal Growth (%)								
		2.5%	2.8%	3.0%	3.3%	3.5%	3.8%	4.0%	4.3%	4.5%
WACC (%)	11.7%	124	127	131	135	140	144	150	155	162
	9.5%	119	122	125	129	133	137	142	147	153
	9.8%	114	117	120	123	127	131	135	140	145
	10.0%	109	112	115	118	121	125	129	133	138
	10.3%	105	108	110	113	116	120	123	127	131
	10.5%	101	104	106	109	111	114	118	121	125
	10.8%	98	100	102	104	107	110	113	116	119
	11.0%	94	96	98	100	103	105	108	111	114
	11.3%	91	93	95	97	99	101	104	106	109

Source: Company reports, Arihant Capital Research

## Financial Statements

## Income statement summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Revenue	3,839	4,423	4,727	4,743	4,465	4,065	5,089	6,484
Net Raw Materials	2,934	3,404	3,499	3,479	3,220	2,944	3,583	4,558
Employee Cost	224	253	311	348	351	364	450	567
Other Expenses	186	217	268	298	313	308	381	479
<b>EBITDA</b>	<b>494</b>	<b>550</b>	<b>650</b>	<b>619</b>	<b>582</b>	<b>449</b>	<b>675</b>	<b>880</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>11.0%</b>	<b>13.3%</b>	<b>13.6%</b>
Depreciation	(42)	(69)	(78)	(83)	(82)	(106)	(94)	(103)
Interest expense	(115)	(175)	(166)	(152)	(147)	(185)	(207)	(183)
Other income	22	35	43	47	101	58	66	151
<b>Profit before tax</b>	<b>358</b>	<b>337</b>	<b>442</b>	<b>431</b>	<b>454</b>	<b>217</b>	<b>441</b>	<b>744</b>
Taxes	(121)	(91)	(116)	(113)	(117)	(43)	(116)	(196)
<b>PAT</b>	<b>237</b>	<b>246</b>	<b>326</b>	<b>318</b>	<b>338</b>	<b>173</b>	<b>325</b>	<b>548</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>4.3%</b>	<b>6.4%</b>	<b>8.5%</b>
Other Comprehensive income	1	5	2	2	130	(36)	-	-
<b>Total comprehensive income</b>	<b>238</b>	<b>251</b>	<b>328</b>	<b>319</b>	<b>467</b>	<b>137</b>	<b>325</b>	<b>548</b>
EPS (INR)	1.9	2.0	2.4	2.3	3.2	1.0	2.3	3.8

Source: Company Reports, Arianth Capital Research

## Balance sheet summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity capital	128	128	137	138	144	144	144	144
Reserves	1,540	1,788	2,661	2,970	3,812	3,935	4,206	4,663
<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>4,079</b>	<b>4,350</b>	<b>4,807</b>
Minority Interest	(0)	7	20	37	44	40	40	40
Provisions	43	49	45	53	60	69	29	21
Debt	1,218	1,348	1,172	1,137	1,432	1,802	1,652	1,402
Other non-current liabilities	-	-	-	29	77	86	31	39
<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>6,077</b>	<b>6,102</b>	<b>6,310</b>
Fixed assets	437	443	465	487	496	630	937	1,013
Capital Work In Progress	15	12	47	71	154	200	60	26
Other Intangible assets	40	42	74	215	433	580	580	580
Goodwill	26	26	26	26	26	26	26	26
Investments	87	46	87	102	255	229	229	259
Other non current assets	37	45	47	57	60	88	66	84
<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>3,220</b>	<b>2,728</b>	<b>3,337</b>
Inventories	344	435	573	758	774	899	825	1,037
Sundry debtors	1,730	3,056	2,492	2,309	2,736	2,302	2,301	2,842
Loans & Advances	21	18	37	31	29	27	20	26
Other current assets	341	318	401	548	644	1,461	627	746
Sundry creditors	(815)	(1,748)	(1,037)	(878)	(808)	(1,079)	(943)	(1,198)
Other current liabilities & Prov	(85)	(148)	(99)	(232)	(110)	(391)	(102)	(117)
Cash	192	306	528	323	336	491	891	271
Other Financial Assets	560	468	395	546	544	612	585	713
<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>6,077</b>	<b>6,102</b>	<b>6,310</b>

Source: Company Reports, Arianth Capital Research

## Du-Pont Analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24	FY25	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	0.6	0.8	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	0.7	0.9	1.1
Financial leverage (x)	1.8	2.2	1.9	1.5	1.4	1.4	1.4	1.3
<b>RoE (%)</b>	<b>15.3%</b>	<b>13.7%</b>	<b>13.8%</b>	<b>10.8%</b>	<b>9.6%</b>	<b>4.3%</b>	<b>7.7%</b>	<b>12.0%</b>

Source: Company Reports, Arianth Capital Research

## Financial Statements

## Cashflow summary

Y/e 31 Mar (INR cr)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Profit before tax	358	337	442	431	454	217	441	744
Depreciation	42	69	78	83	82	106	94	103
Tax paid	(121)	(91)	(116)	(113)	(117)	(43)	(116)	(196)
Working capital Δ	(504)	(396)	(434)	(171)	(728)	45	492	(609)
<b>Operating cashflow</b>	<b>(225)</b>	<b>(81)</b>	<b>(30)</b>	<b>230</b>	<b>(309)</b>	<b>324</b>	<b>910</b>	<b>43</b>
Capital expenditure	(228)	(72)	(135)	(128)	(174)	(286)	(260)	(146)
<b>Free cash flow</b>	<b>(452)</b>	<b>(153)</b>	<b>(166)</b>	<b>101</b>	<b>(483)</b>	<b>38</b>	<b>651</b>	<b>(103)</b>
Equity raised	15	9	588	33	547	(25)	-	-
Investments	6	41	(41)	(15)	(153)	26	(0)	(30)
Others	47	81	39	(302)	(219)	(244)	49	(146)
Debt financing/disposal	422	130	(176)	(35)	295	370	(150)	(250)
Dividends paid	(15)	-	(19)	(24)	(29)	(29)	(54)	(91)
Other items	10	6	(4)	37	55	18	(95)	0
<b>Net Δ in cash</b>	<b>32</b>	<b>115</b>	<b>222</b>	<b>(206)</b>	<b>14</b>	<b>155</b>	<b>400</b>	<b>(621)</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>491</b>	<b>891</b>
<b>Closing Cash Flow</b>	<b>192</b>	<b>306</b>	<b>528</b>	<b>323</b>	<b>336</b>	<b>491</b>	<b>891</b>	<b>271</b>

Source: Company Reports, Arianth Capital Research

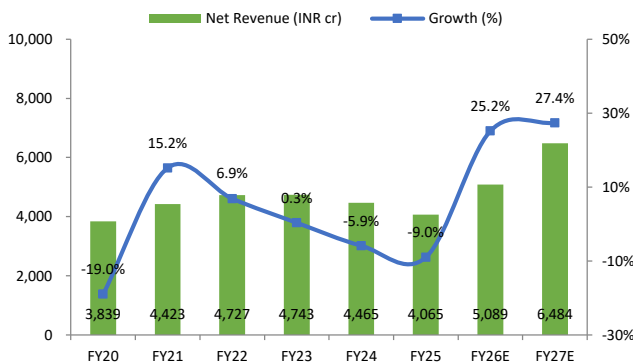
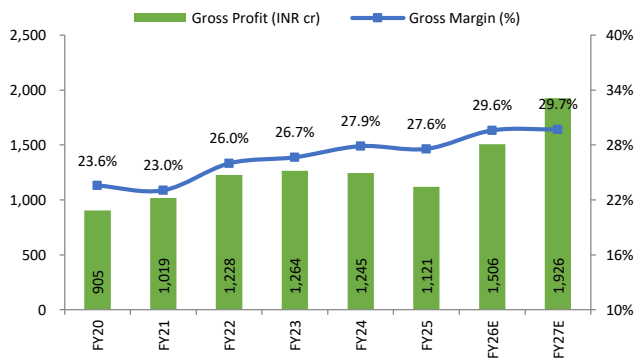
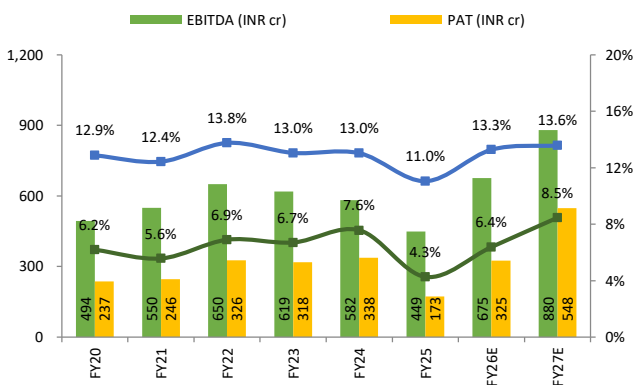
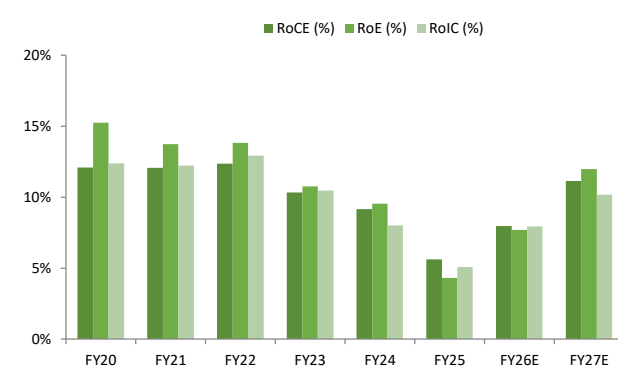
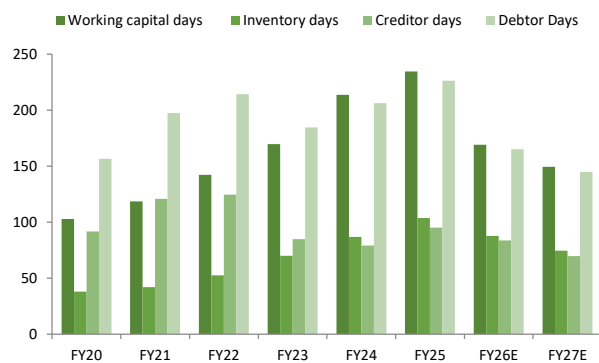
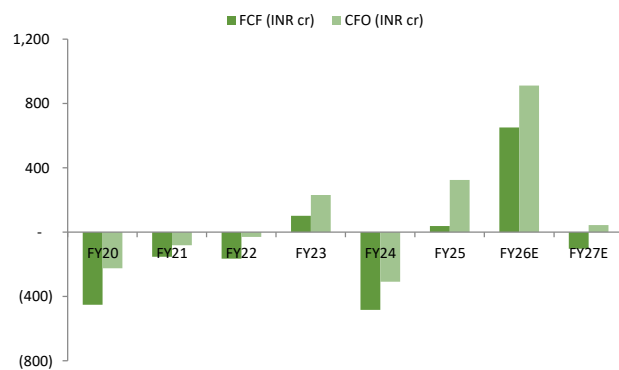
## Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Growth matrix (%)</b>								
Revenue growth	-19.0%	15.2%	6.9%	0.3%	-5.9%	-9.0%	25.2%	27.4%
Op profit growth	18.9%	11.2%	18.3%	-4.8%	-6.0%	-22.8%	50.4%	30.3%
<b>Profitability ratios (%)</b>								
OPM	12.9%	12.4%	13.8%	13.0%	13.0%	11.0%	13.3%	13.6%
Net profit margin	6.2%	5.6%	6.9%	6.7%	7.6%	4.3%	6.4%	8.5%
RoCE	12.1%	12.1%	12.4%	10.3%	9.2%	5.6%	8.0%	11.1%
RoNW	15.3%	13.7%	13.8%	10.8%	9.6%	4.3%	7.7%	12.0%
RoA	8.1%	7.4%	8.1%	7.3%	6.1%	2.9%	5.3%	8.7%
<b>Per share ratios (INR)</b>								
EPS	1.9	2.0	2.4	2.3	3.2	1.0	2.3	3.8
Dividend per share	0.1	-	0.1	0.2	0.2	0.2	0.4	0.6
Cash EPS	2.2	2.5	2.9	2.9	2.9	1.9	2.9	4.5
Book value per share	13.0	14.9	20.4	22.6	27.5	28.3	30.2	33.3
<b>Valuation ratios (x)</b>								
P/E	46.9	44.5	36.5	37.5	26.8	91.3	38.6	22.9
P/CEPS	40.0	35.5	29.6	29.9	29.9	45.0	30.0	19.2
P/B	6.7	5.8	4.3	3.9	3.2	3.1	2.9	2.6
EV/EBITDA	24.5	22.1	19.3	20.5	23.0	30.4	19.4	15.2
<b>Payout (%)</b>								
Dividend payout	6.5%	0.0%	5.8%	7.7%	8.5%	16.6%	16.6%	16.6%
Tax payout	33.8%	26.9%	26.3%	26.2%	25.7%	20.0%	26.3%	26.3%
<b>Liquidity ratios</b>								
Debtor days	157	197	214	185	206	226	165	145
Inventory days	38	42	53	70	87	104	88	75
Creditor days	92	121	125	85	79	95	84	70
WC Days	103	118	142	170	214	235	169	150
<b>Leverage ratios (x)</b>								
Interest coverage	3.9	2.8	3.4	3.5	3.4	1.9	2.8	4.2
Net debt / equity	0.6	0.5	0.2	0.3	0.3	0.3	0.2	0.2
Net debt / op. profit	2.1	1.9	1.0	1.3	1.9	2.9	1.1	1.3

Source: Company Reports, Arianth Capital Research



## Story in Charts

**Exhibit 5: Revenue is expected to grow at 26.3% CAGR over the period of FY25-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

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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%

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