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Bloomberg Code	HMFC IN
No of share O/S (in Cr)	137.8
Market Cap (in Rs Cr)	9,207.6
Face Value (in Rs)	1.0
Dividend Yield (%)	0.3
52 Wk High/Low (in Rs)	88.8/ 51.6

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Shareholding (%)	
Promoters	39.2
Institutional	6.8
Public	55.0
Total	100.0

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**Key result highlights:**

- HFCL reported a consolidated revenue YoY/ QoQ growth of 21.1%/ 32.0% to INR 1,433 cr.
- EBITDA reported at INR 154 cr giving a jump of YoY/ QoQ of 24.4%/ -17.7%. The EBITDA margins for the quarter was at 10.8%. While margins during quarter under review are low compared to previous and corresponding quarters due to execution of some low margin contracts in the quarter, overall margins for FY23 however are intact despite increased input costs and supply chain disruption followed by Russia-Ukraine war and other global economic challenges.
- The PAT for the quarter stands at INR 79 cr YoY/ QoQ growth of 15.5%/ -22.6%.
- The boards have recommended a final dividend of INR 0.2 per share @ 20%.
- HFCL is dedicated to delivering value to our shareholders and will continue to work hard to achieve our goals.

**New developments:**

- The company is developing various 5G products including fixed wireless equipment, small cells, routers and macro radio units, with a total addressable market of \$550 bn by 2028.
- The company is setting up a facility to manufacture these products and targets revenue of INR800-1,000 crores in FY24 – FY25, eligible for PLI incentives up to INR 650 crores.
- Revenue from these own designed and manufactured products is expected to increase profitability and margins compared to the existing product portfolio.

## ***Segmental Performance***

Major segments for Bajaj Auto noted to be Telecom Products and Turnkey Contracts and Services.

- Revenue from Telecom Products reported to be at INR 490 cr having flat growth YoY and registered growth of -10.0% on QoQ basis and 12.2% YoY basis. Profitability will also increase significantly with the launch of new products. So, this is a very transformational step company has taken in designing this telecom products locally, because these will give us higher margins. And moreover on the top of it, there is a TLI incentive given by Government of India for INR 650 cr. All these are going to be adding to the margin of the company.
- Total Income for Turnkey Contracts and Service is INR 833 cr increased by 32.4% YoY and 82.2% QoQ. In Q4FY23, the turnkey contracts had a margin less than 5%. This is due to the variability of margins on EPC contracts, which can vary depending on the type and part of contract executed in a particular quarter. The lower margin in this particular quarter was due to the execution of contracts with lower margins. However, the overall EBITDA margin in turnkey projects ranges between 8% to 12% and is currently ranging between 14% to 15% with the increasing share of revenue from product business. Margins are planned to be increased further with high-value level backward integration and introduction and launch of indigenously developed products on an overall basis.

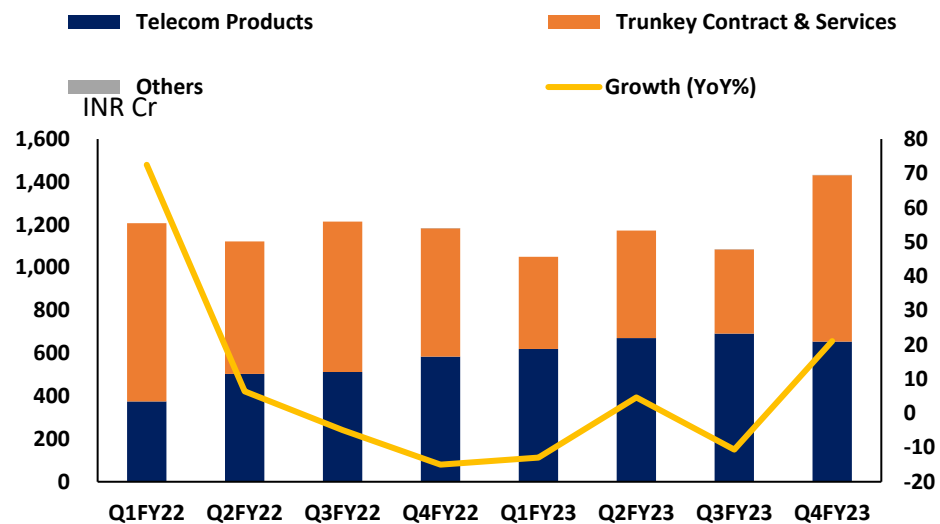
## ***Concall Highlights***

- The company reported consolidated revenue of INR 4,743 cr for the 12 months ended March 31, 2023, with EBITDA of INR 664 cr and profit after tax of INR 317 cr. For Q4FY23, revenue was INR 1,433 cr, an increase of 21.13% YoY, and EBITDA was INR 168 cr, with a margin of 11.7%. PAT for the quarter was INR 79 cr.
- The telecom products segment revenue during the quarter was INR 654 cr. Margins were lower in Q4 due to execution of low margin contracts, but overall EBITDA margins range between 14% to 15%. The company aims to increase operational margins by 4% to 5% in two years with strategic initiatives such as expansion of capacities, launch of indigenously designed products, and investment in R&D. The company is optimistic about the future and remains focused on becoming a leader in the industry.
- HFCL has made significant efforts to expand its footprint in key global markets, including the United States, Europe, and Middle East, and aims to become a global player in the optical fiber cable, telecom, and network products, and system integration space.
- HFCL has entered into crucial technology partnerships with Qualcomm, Microsoft, Wipro, and 6WIND for developing cutting-edge 5G products and solutions, which are boosting the company's R&D capabilities and helping to develop and productionize new products at a much faster pace.

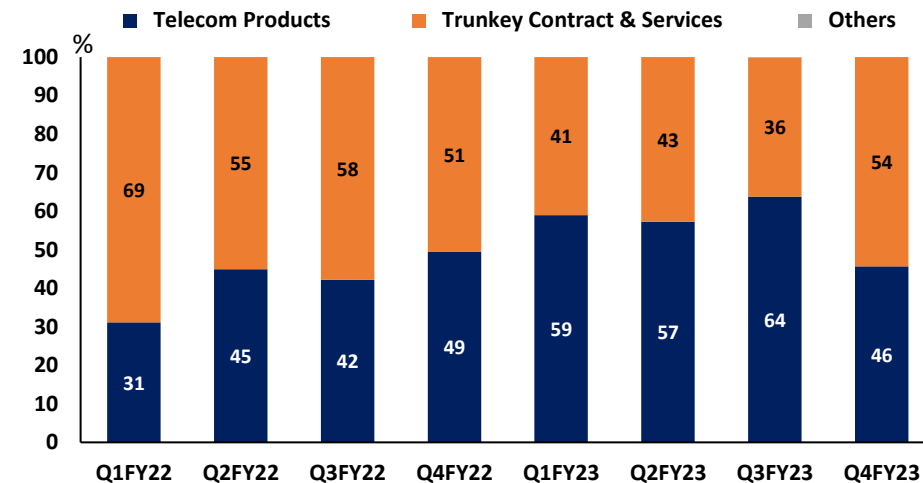
## ***VALUATION***

At the CMP of INR 66.9, the stock is trading at 11.5x FY25 P/E.

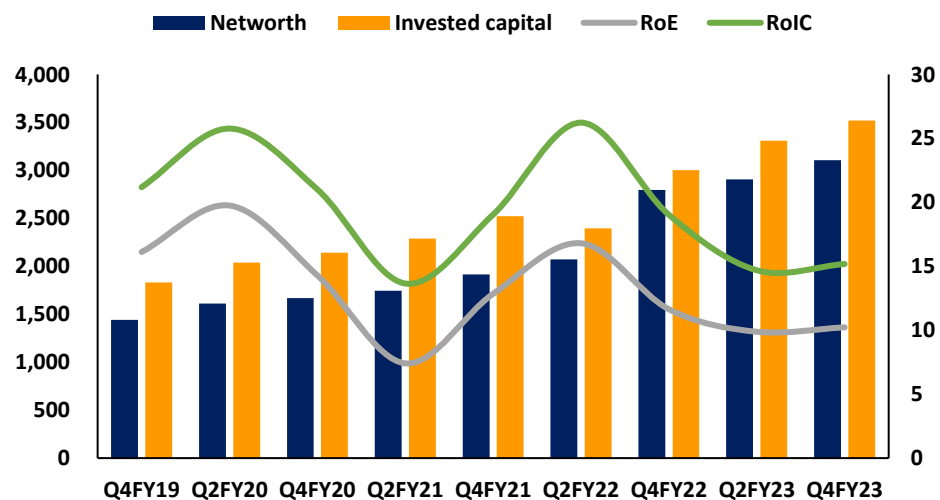
### Revenue Growth



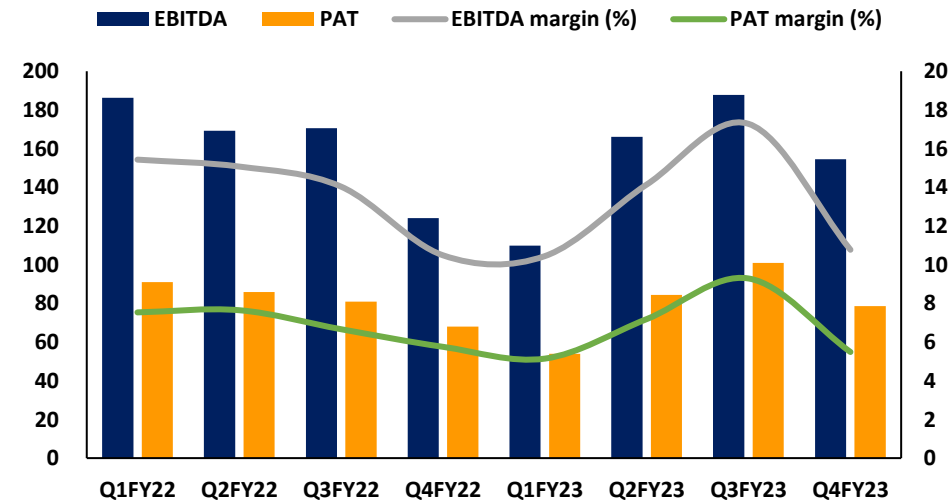
### Revenue Contribution



### ROE & ROIC



### EBITDA & PAT Margins



# Financial Summary

Figures in INR Cr	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY(%)
Revenue from Operations	1,433	1,183	21.1	1,086	32.0	4,743	4,727	0.3
Employee Cost	92	72	28.8	84	9.3	348	311	12.1
<i>Employee Cost To Sales (%)</i>	<i>6.4</i>	<i>6.0</i>		<i>7.8</i>		<i>7.3</i>	<i>6.6</i>	
Other Expenses	1,186	987	20.2	814	45.8	3,776	3,766	0.3
<i>Other Expenses To Sales (%)</i>	<i>82.8</i>	<i>83.5</i>		<i>75.0</i>		<i>79.6</i>	<i>79.7</i>	
EBITDA	154	124	24.4	188	-17.7	619	650	-4.8
<i>EBITDA Margin (%)</i>	<i>10.8</i>	<i>10.5</i>		<i>17.3</i>		<i>13.0</i>	<i>13.8</i>	
Depreciation	21	23	-5.5	20	6.5	83	78	6.0
<i>Depreciation To Sales (%)</i>	<i>23.3</i>	<i>31.7</i>		<i>23.9</i>		<i>23.8</i>	<i>25.2</i>	
Operating income	133	101	31.1	168	-20.6	536	572	-6.3
<i>Operating Margin (%)</i>	<i>9.3</i>	<i>8.6</i>		<i>15.4</i>		<i>11.3</i>	<i>12.1</i>	
Other Income	14	30	-53.5	6	141.5	47	43	10.0
Interest	38	38	0.5	37	2.4	152	166	-8.5
Interest Coverage Ratio (X)	4	3	30.5	5	-22.5	4	3	2.4
<i>Interest Cost to Sales (%)</i>	<i>2.6</i>	<i>3.2</i>		<i>3.4</i>		<i>3.2</i>	<i>3.5</i>	
Profit Before Tax	109	93	16.7	136	-20.1	431	448	-3.9
<i>PBT Margin (%)</i>	<i>7.6</i>	<i>7.9</i>		<i>12.5</i>		<i>9.1</i>	<i>9.5</i>	
Tax	30	25	19.9	35	-14.3	113	116	-2.9
<i>Tax Rate (%)</i>	<i>27.8</i>	<i>27.0</i>		<i>25.9</i>		<i>26.2</i>	<i>25.9</i>	
Profit After Tax	79	68	15.5	102	-22.6	318	326	-2.5
<i>PAT Margin (%)</i>	<i>5.5</i>	<i>5.8</i>		<i>9.4</i>		<i>6.7</i>	<i>6.9</i>	
Cons. Net Profit	72	65	10.0	96	-25.3	301	313	-3.9
<i>Cons. Net Profit Margin (%)</i>	<i>5.0</i>	<i>5.5</i>		<i>8.9</i>		<i>6.3</i>	<i>6.6</i>	
Adjusted EPS (INR)	0.5	0.5	10.0	0.7	-25.3	2.2	2.3	-3.9

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