Academic Research Project –Not a Recommendation

Equity Research Report

HFCL

About The Company

HFCL ek telecom infrastructure enabler hai, jo sirf network install karne tak limited nahi hai, balki telecom equipment manufacture, supply aur large-scale project execution bhi karta hai. Company ka strategic focus clearly Telecom + Defence + Railways par hai, jisme ab telecom dominant business ban chuka hai.

Business segment level par, HFCL ka sabse bada aur fastest growing segment Telecom Products hai, jo 9M FY25 me 57% revenue contribute karta hai aur dheere-dheere company ka core ban raha hai. Is segment me HFCL Wi-Fi access points (Wi-Fi 5/6), UBR radios, home mesh routers aur AI-based network management systems banata hai, jahan company India ki top manufacturers me count hoti hai. Saath hi, Optical Fiber aur Optical Fiber Cables (OFC) HFCL ki major strength hai—company India ki largest OFC suppliers me se ek mani jati hai. Defence side me HFCL electronic fuzes, thermal weapon sights aur surveillance radars jaise products banata hai, jo Make in India defence push se directly benefit le rahe hain. Iske alawa data centers, FTTH aur LAN networks ke liye passive connectivity solutions aur aerospace–automotive ke liye custom cable assemblies bhi supply karta hai. Telecom Products segment ka 9M FY25 me 24% YoY growth is baat ka proof hai ki company project-based model se product-led model par shift ho rahi hai, jisse working capital requirement kam, cash recovery fast aur margins better ho rahe hain.

Dusra segment Turnkey Contracts & Services hai, jo 9M FY25 me 43% revenue deta hai. Isme HFCL large public telecom projects jaise optical transport networks, rural GSM, FTTH aur mobile backhaul execute karta hai, jiske key clients Jio, Airtel, Vodafone aur BSNL hain. Defence communication me remote areas ke liye MPLS networks aur hybrid microwave + optical solutions deploy karta hai, jabki railways me telecom & signalling modernization, IP-based surveillance aur DFC networks par kaam karta hai. Is segment ka revenue 9M FY25 me 15% YoY decline hua, kyunki management ka clear focus ab products ki taraf shift ho raha hai.

Sector-wise revenue mix me ek major structural change dikhta hai. FY22 me telecom ka share 72% tha, jo Q3 FY25 me 97% ho chuka hai, jabki railways aur defence ka share sharply reduce hua hai. Ye clearly show karta hai ki HFCL ab primarily ek telecom-focused company ban chuki hai.

Geography ke hisaab se, HFCL ka 89% revenue domestic aur 11% exports se aata hai. Company 45+ countries me presence rakhti hai aur 100+ global clients ko serve karti hai. Client mix me 60% private aur 40% government customers hain, jisme Jio, Airtel, BSNL, Nokia, RailTel, BEL, L&T jaise bade naam shamil hain.

Order book perspective se, Q3 FY25 me HFCL ka total order book ₹10,410 Cr ka hai. Isme Network Services (40%) aur O&M (35%) ka share zyada hai, jabki Products sirf 25% contribute karte hain. Customer-wise order book ka 82% government exposure hai, jo execution risk aur receivables cycle ko thoda sensitive banata hai.

Stock Data (as on Dec 27, 2025)	
Nifty	: 26,042
52 Weeks H/L (INR)	: 117/60.7
Market Cap (INR Crs.)	: 8874
Outstanding Shares (Crs.)	: 153
Dividend Yield (%)	: 0.16
NSE Code	: HFCL

Compounded Profit Growth	
10 Years	: -7%
5 Years	: -5%
3 Years	: -18%

Compounded Sales Growth	
10 Years	: 5%
5 Years	: 1%
3 Years	: -5%

Stock Price CAGR	
10 Years	: 11%
5 Years	: 19%
3 Years	: -6%

Shareholding Pattern (as on Sep 30, 2025)	
Promoters	: 30.02%
FIIs	: 7.48%
DIIs	: 13.57%
Public	: 48.89%

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Technology ke front par HFCL ne Qualcomm, Wipro, Capgemini, NXP aur VVDN jaise global players ke saath partnerships ki hain, jisse 5G, Wi-Fi 7, AI analytics aur defence electronics jaise future-ready products develop ho rahe hain. Manufacturing side me HFCL ke Tamil Nadu, Telangana aur Goa me 5 plants hain, jahan optical fibre aur OFC ki strong capacity hai, aur expansion ke baad capacity kaafi sharply increase hone wali hai.

Defence growth ko support karne ke liye December 2024 me Hosur (Tamil Nadu) me naya defence plant inaugurate hua, jahan thermal sights, electronic fuzes, radio relay systems aur surveillance radars manufacture honge. Europe expansion me management ne smart capital allocation dikhaya—Poland OFC plant project pause karke ₹175 Cr capex save kiya, kyunki anti-dumping duty exemption ke baad Europe supply India se hi possible ho gayi.

Finally, R&D HFCL ka long-term moat builder ban raha hai. Gurgaon, Bengaluru aur Hyderabad ke R&D centers me company 5G FWA equipment, high-speed routers, software-defined radios, drone detection systems aur advanced defence products develop kar rahi hai. R&D spend FY22 ke 2% se badhkar FY24 me 5% of revenue ho jana clear signal deta hai ki HFCL technology-led, product-driven long-term growth par focus kar rahi hai.

Q2 FY26 CONCALL

HFCL ka management clearly ye signal de raha hai ki company ab sirf execution ya manufacturing-focused nahi rehna chahti, balki “Make in India” se aage badhkar “Innovate in India” ke model par shift kar rahi hai, jahan design, IP creation aur advanced technology products par focus hoga aur India ke saath-saath global markets ko serve kiya jaayega. Is strategic shift ko teen bade tailwinds support kar rahe hain—India me fast 5G rollout aur Bharat 6G Vision 2030, jahan data usage agle 5 saalon me ~22.4% CAGR se badhne ka estimate hai; globally OFC demand ka strong revival, jo hyperscalers, data centers, AI workloads aur cloud adoption ki wajah se driven hai; aur defence sector me Make in India push, jahan HFCL apni product capabilities build kar rahi hai.

HFCL ka sabse bada strategic move high fibre-count OFC capacity expansion hai, jahan company 1.73 mn fkm p.a. se capacity badhakar 19.01 mn fkm p.a. kar rahi hai, jo June 2026 tak fully operational hogi, aur iske baad total OFC capacity 42.36 mn fkm p.a. ho jaayegi, jisse HFCL global OFC manufacturers ke top league me aa jaayegi. Management ke mutabik optical fibre plants already ~90% utilisation par chal rahe hain, aur company ne 1,700 fibre-count cable develop kar li hai, jabki 3,400 fibre-count cable almost ready hai, jo advanced design aur manufacturing capability ko reflect karta hai.

Exports ke front par momentum strong hai, jahan H1 FY26 me ₹650+ crore ke export orders mil chuke hain aur aur bhi pipeline me hain, jiska execution April 2026 tak expected hai. Export demand ka major driver OFC hai, jo sirf data centers hi nahi balki telcos ke liye bhi high fibre-count solutions chahte hain. Ek bada positive ye hai ki HFCL ko ab Europe aur America ke Tier-1 telcos se entry mil rahi hai, jo pehle possible nahi thi, aur ye long-term export stability ka signal deta hai. Saath hi, OFC realizations ~₹850/km se badhkar ~₹950/km ho gayi hain, jiska direct benefit EBITDA margins par dikh raha hai, jabki US tariffs ka impact management ke mutabik minimal hai, kyunki legal aur regulatory routes se issue largely addressed ho chuka hai.

HFCL apna focus sirf long-haul OFC tak limit nahi kar rahi, balki data center ke andar ki passive connectivity jaise MPO cables, rack-to-rack aur intra–data-center solutions par bhi kaam kar rahi hai, jahan management FY26 me ~₹400 crore aur FY27 me ₹900–1,000 crore revenue ka ambition rakhta hai. Ye business higher margin aur sticky customer base create kar sakta hai, kyunki high-tech PCS development January tak complete hone ke baad exports start honge.

Defence business me HFCL ne near-term orders secure kiye hain, jaise HTL (subsidiary) ko ₹101.82 crore ka tactical OFC order aur HFCL ko ₹50 crore ka thermal weapon sights order, jabki key products jaise electronic fuzes, drone detection radar aur coastal surveillance radar advanced trial stages me hain. Management ko strong confidence hai ki electronic fuzes final DRDO trials pass karenge, aur defence manufacturing ke liye Hosur plant ke baad Andhra Pradesh me 1,000 acres land bhi sanctioned ho chuki hai. Management expectation (guidance nahi) ke hisaab se defence revenue FY26 me ₹200+ crore, FY27 me ₹500+ crore aur FY28 me ₹1,000+ crore tak pahunch sakta hai, jabki BMP-2 upgrade jaise opportunities agar materialize hoti hain to “few thousand crore per year” ka potential bhi ban sakta hai.

EPC aur BharatNet projects me execution broadly stable rahi hai—Punjab BharatNet aur Reliance EPC smooth rahe—lekin UP Jal Nigam me payment delays ne execution slow kiya, jo government fund flow se linked hai. EPC business ka working capital cycle ~180 din ka hai, jabki O&M business abhi chhota hai par next FY se meaningful banne ki expectation hai, jahan ~20% margin possible hai aur Indian Army network AMC ~₹170 crore per year ka steady inflow provide karega.

Capital allocation ke front par HFCL ne Nivetti Systems me 15.19% stake bechkar ₹52.51 crore raise kiye, taaki focus telecom aur defence jaise high-growth, innovation-led areas par rahe. Financially, Q2 FY26 me strong recovery dikhi—₹1,043 crore revenue, 19.5% EBITDA margin aur ₹72 crore PAT—jo operating leverage ko clearly highlight karta hai. Management ne FY26 ke liye ~20% revenue growth aur ~19% EBITDA margin guidance maintain rakhi hai, aur OFC demand itni strong hai ki buyers 3-year capacity booking chah rahe hain, lekin HFCL better future pricing ke liye inhe accept nahi kar rahi.

Key risks management ne openly accept kiye hain, jisme 5G chipset supply disruptions (jo ab normalize ho rahe hain), UP Jal Nigam receivable delays, aur US tariff policy uncertainty shamil hai, jabki legal constraints ki wajah se management exact future profit numbers disclose nahi karta.

Some market leaders who we work with

In India

In South East Asia and Asia Pacific

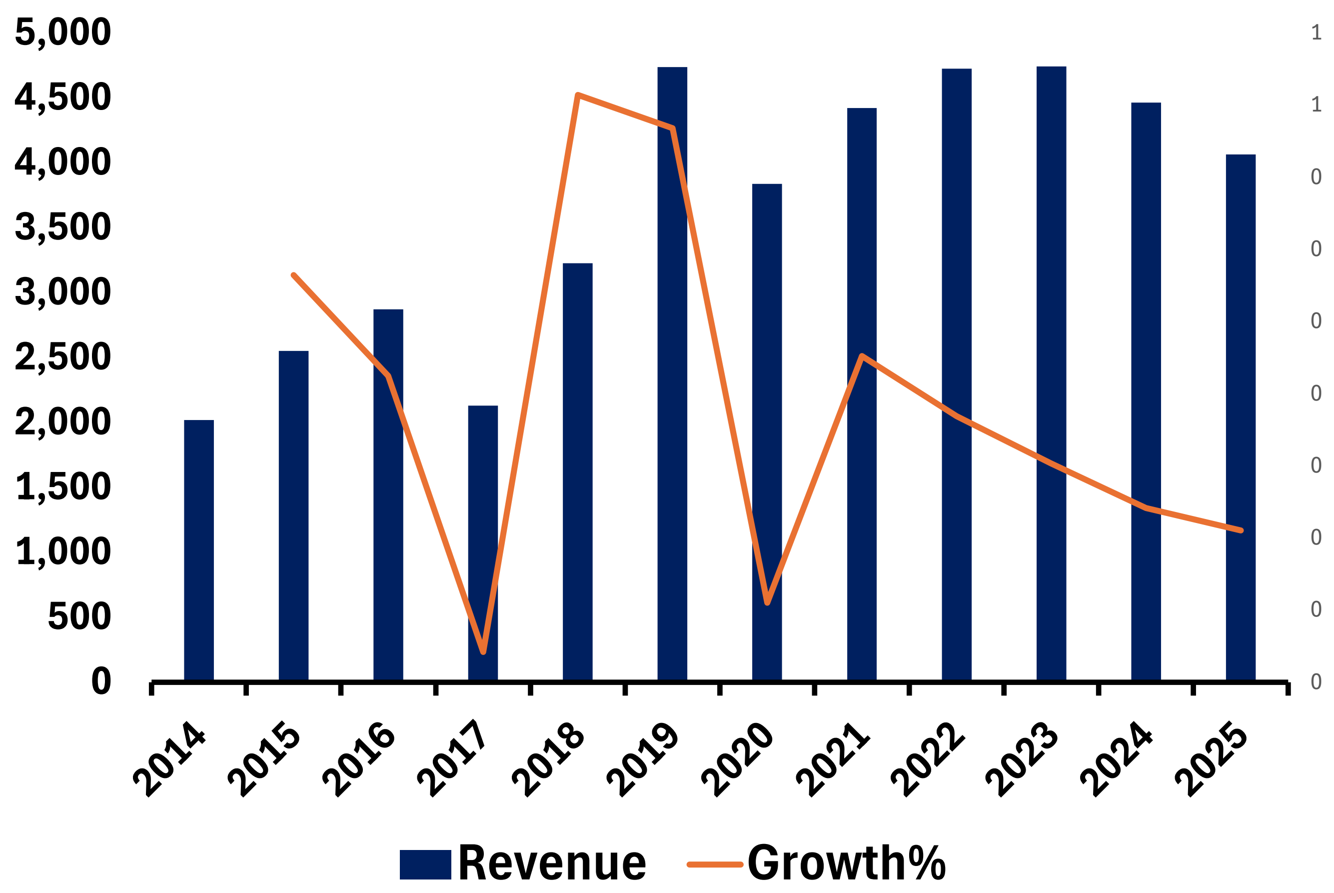
In UK & Europe

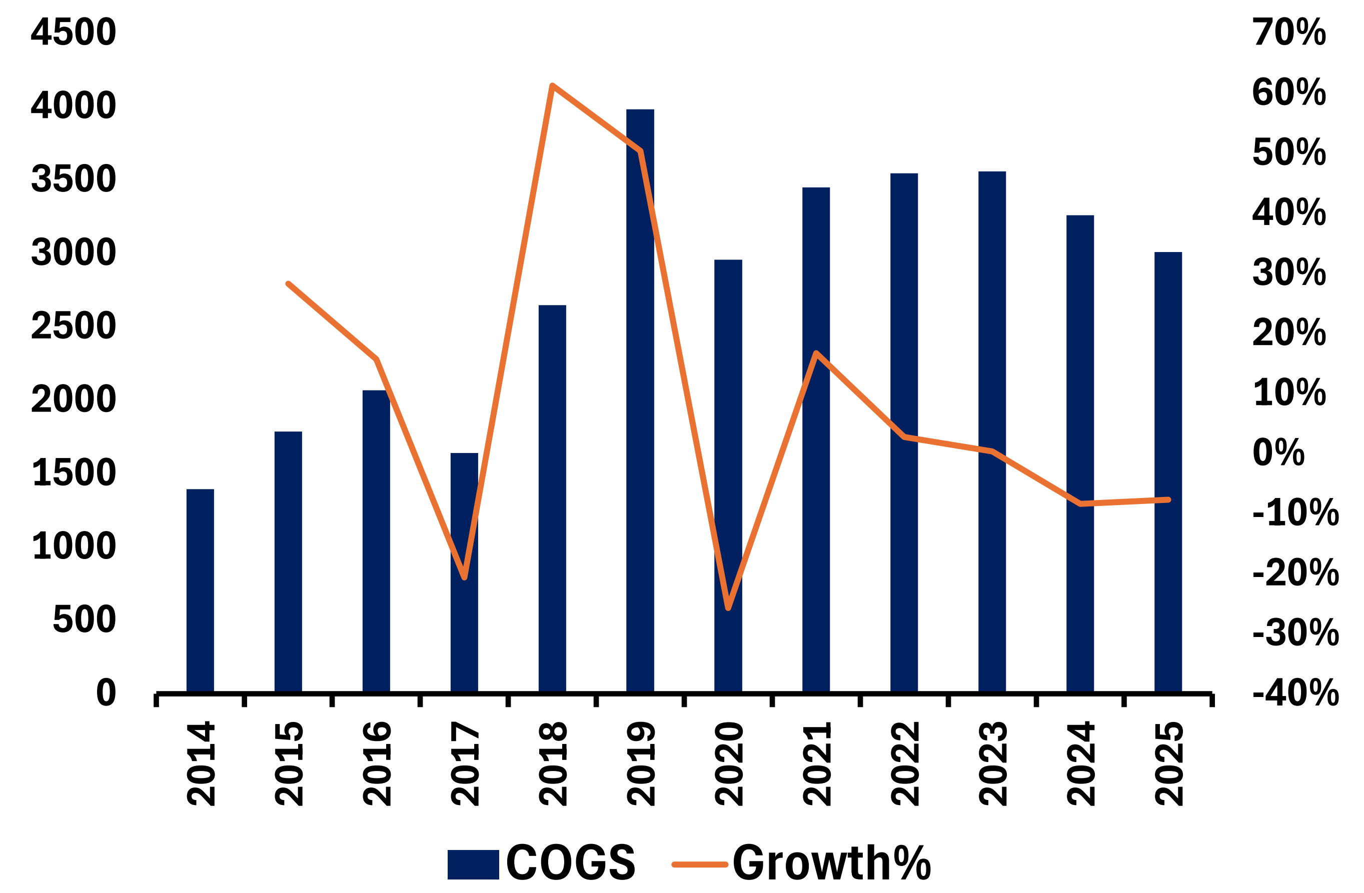
In Middle East & Africa

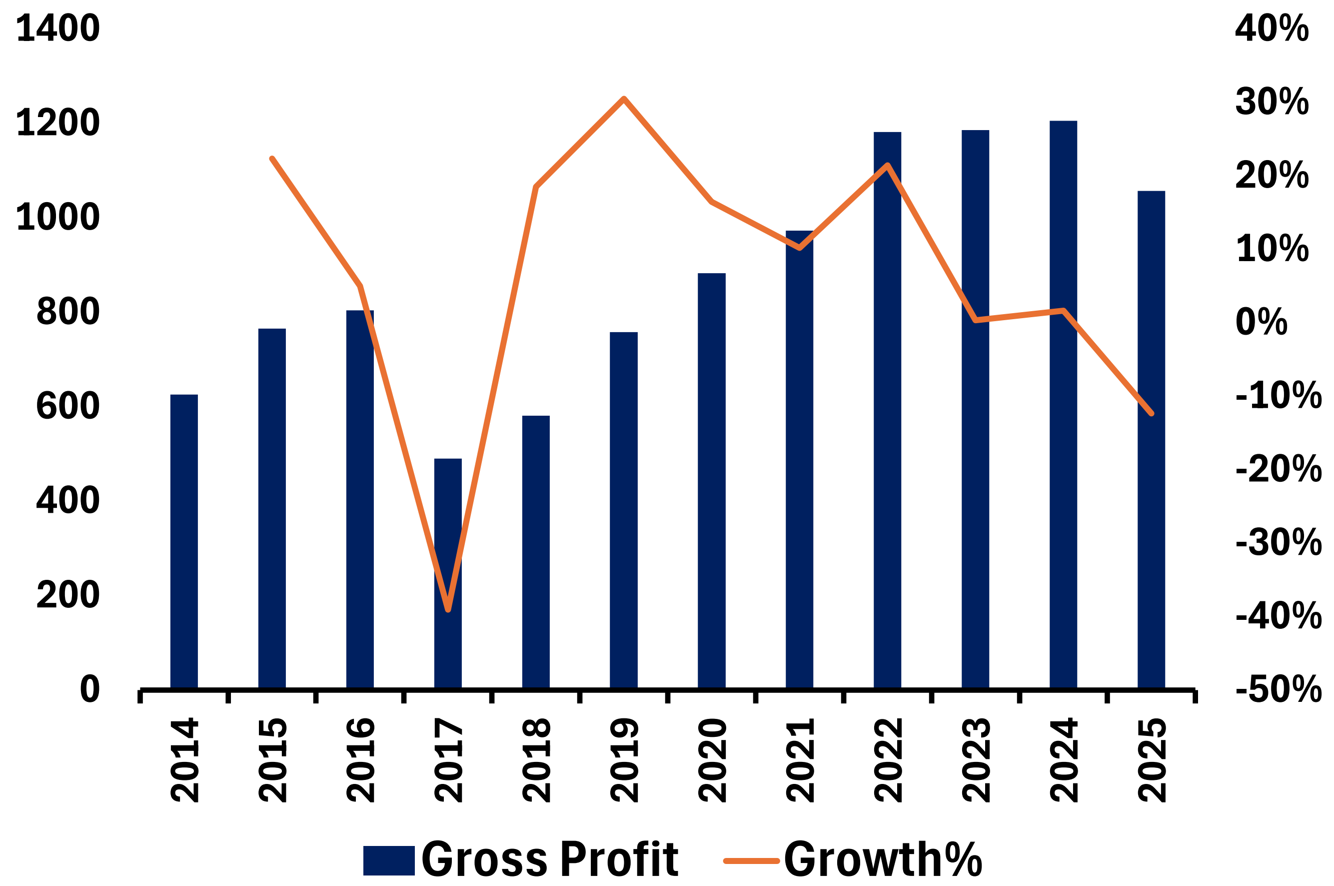
Premier Technology Partners

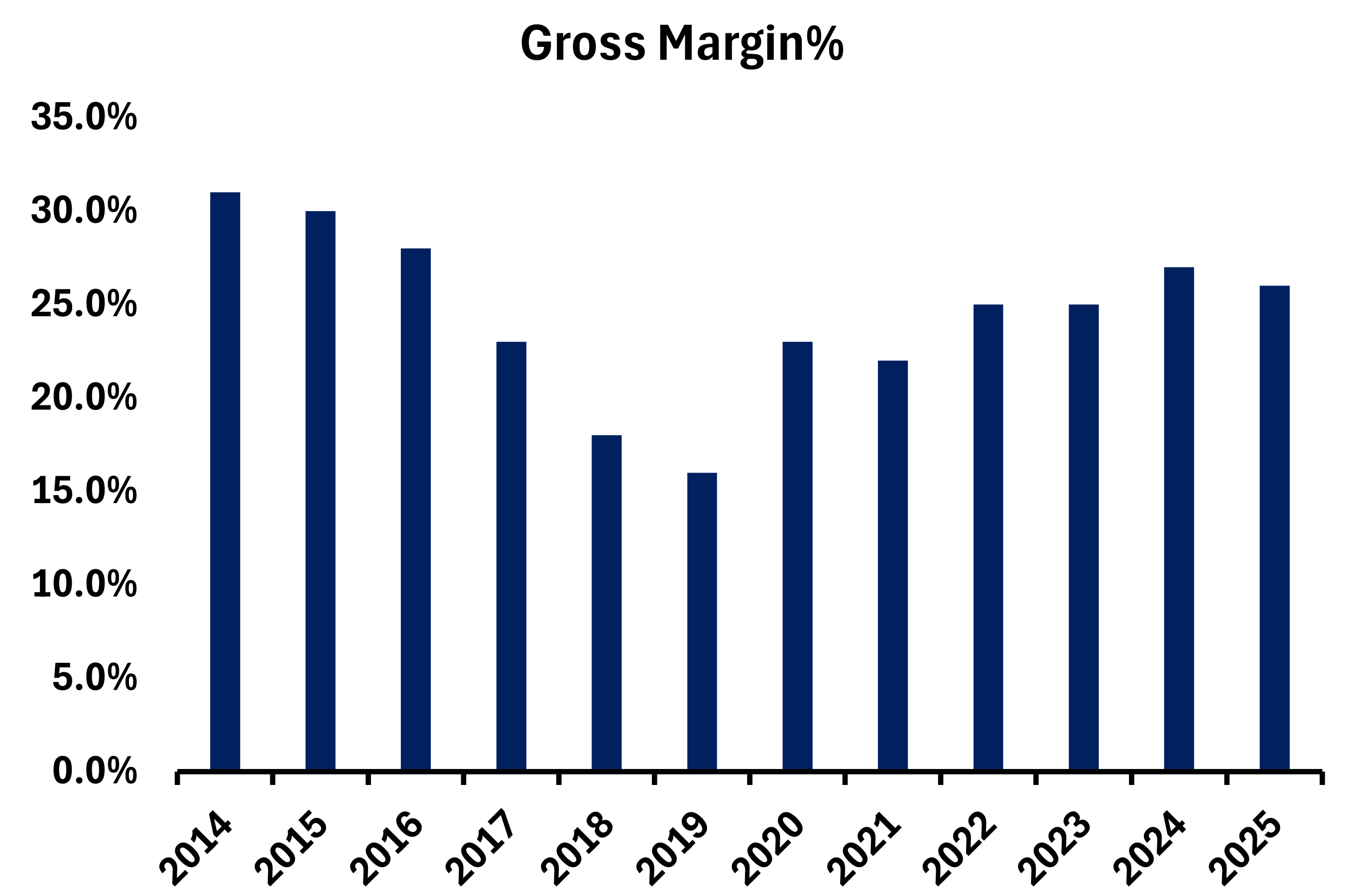
HFCL works closely with a growing network of global and domestic technology partners to enhance product capabilities, accelerate innovation, and expand addressable markets. These partnerships enable access to cutting-edge platforms, faster integration of emerging technologies, and co-development of customised solutions across telecom, defence and digital infrastructure.

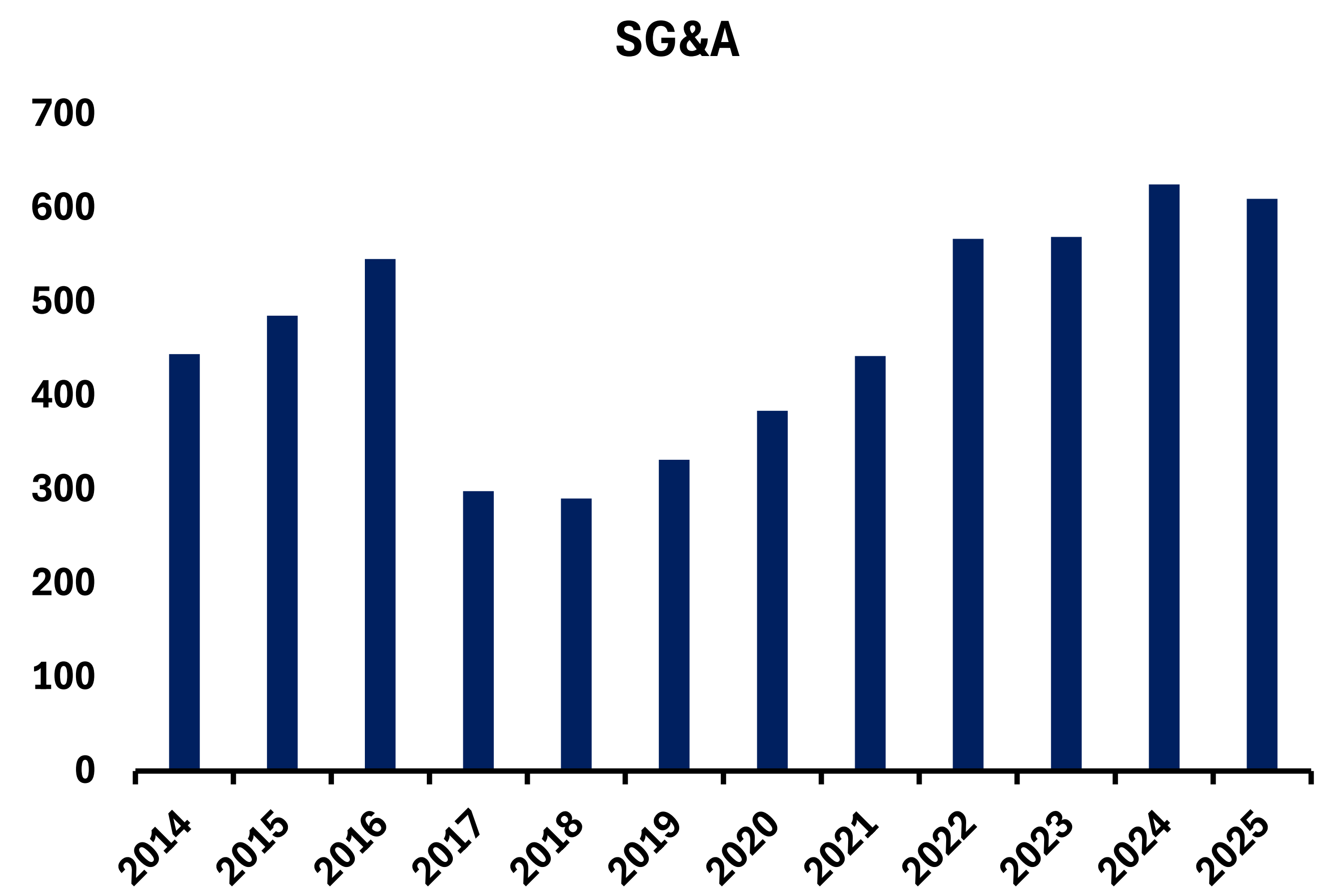
FINANCIAL ANALYSIS

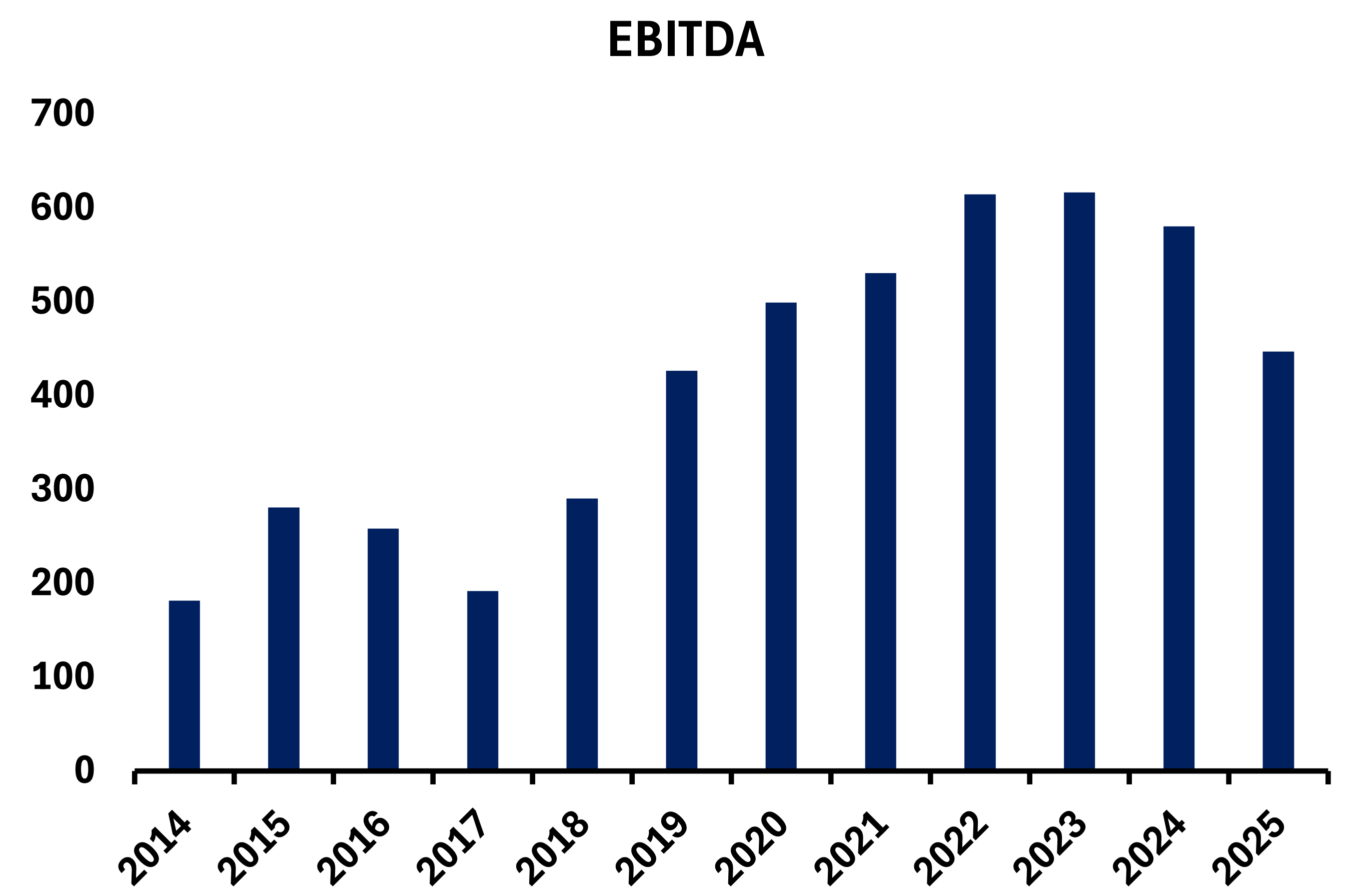


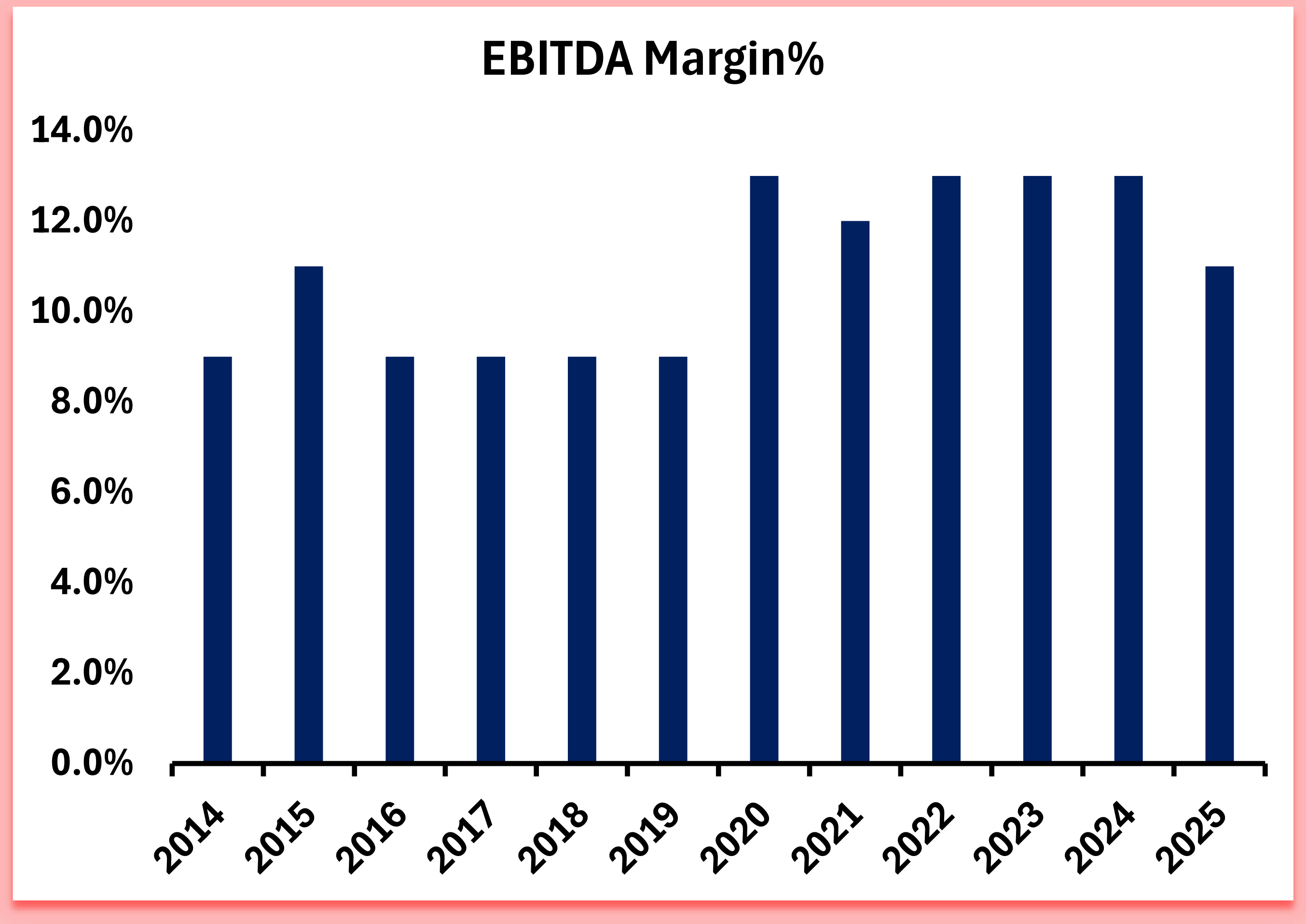


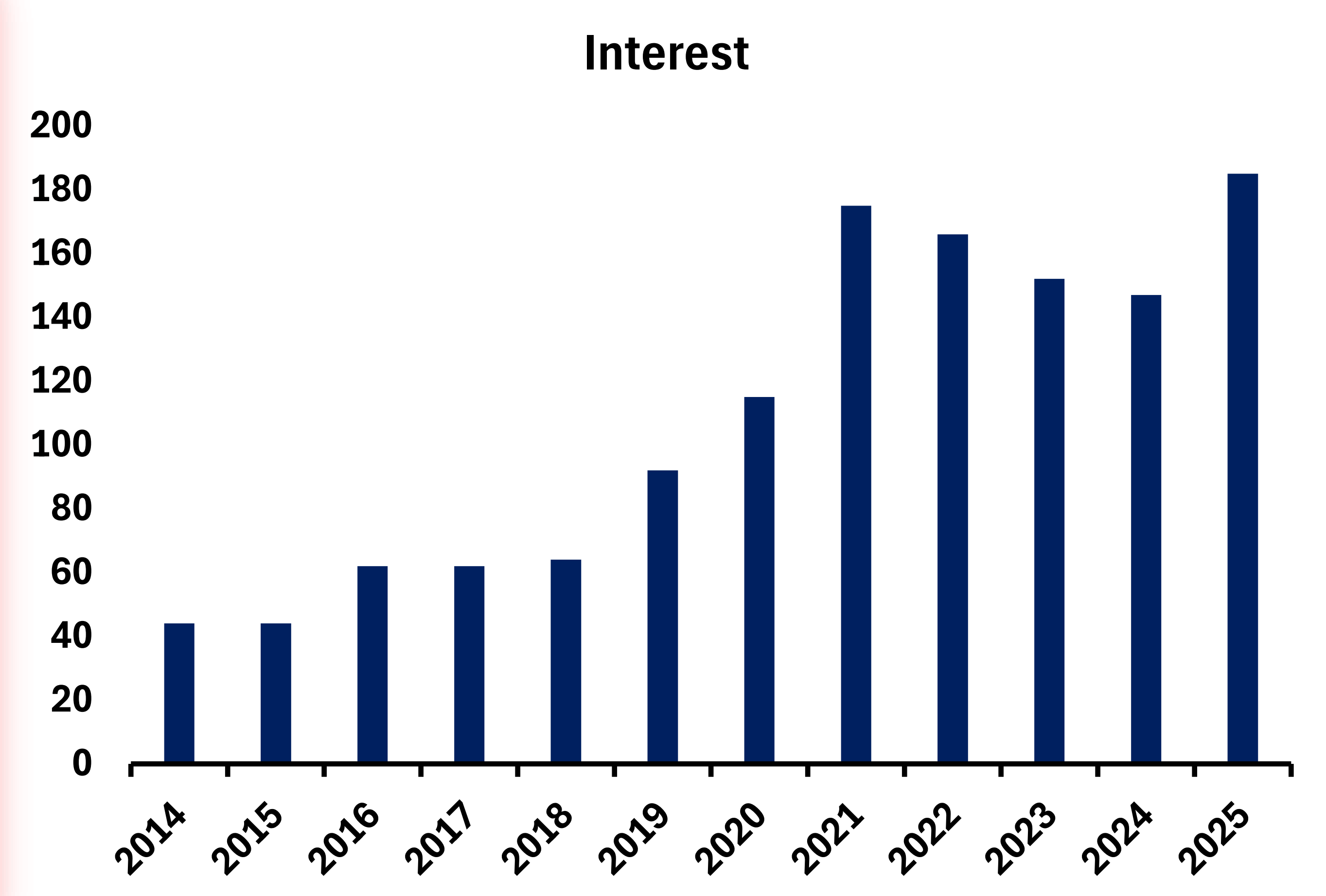












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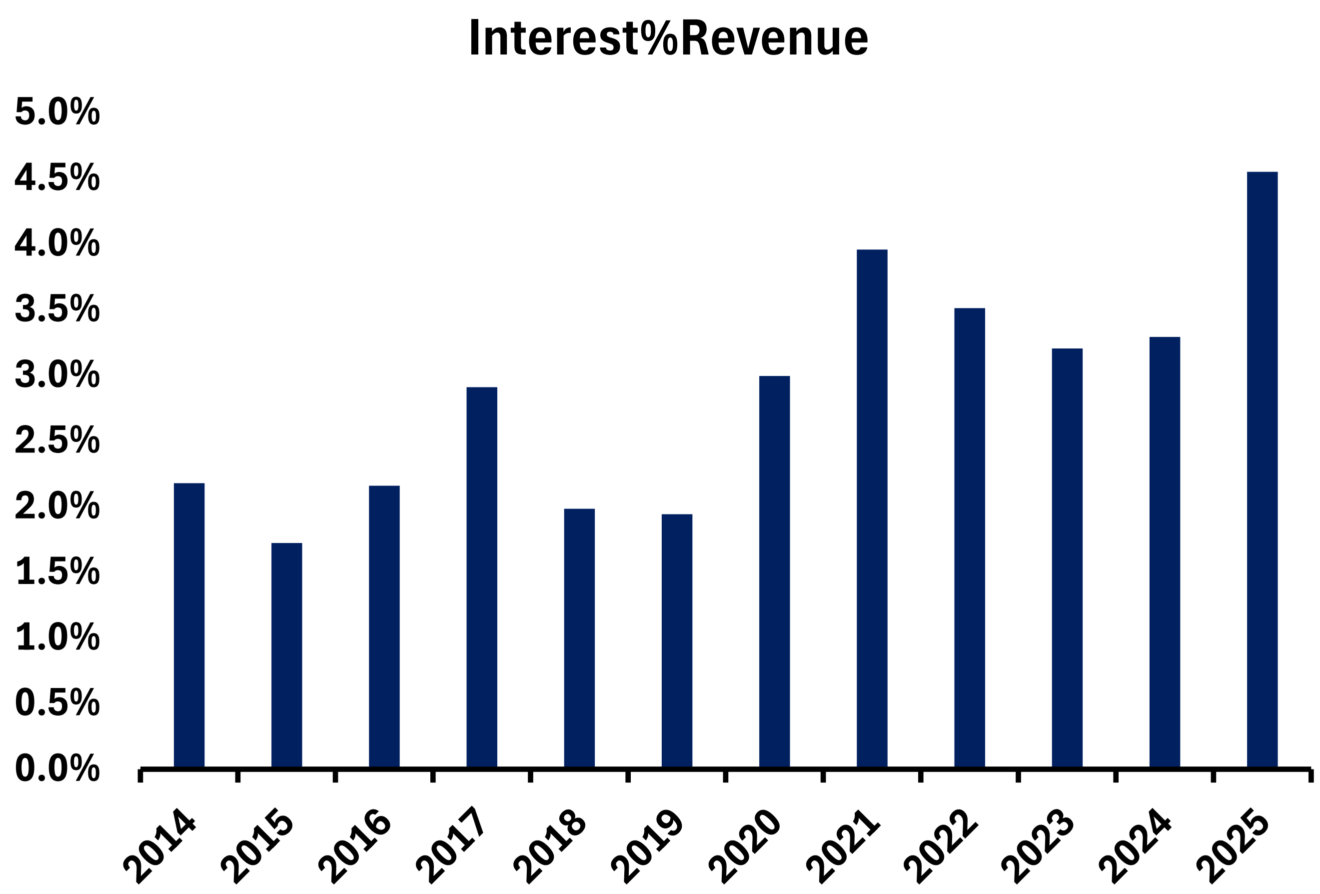

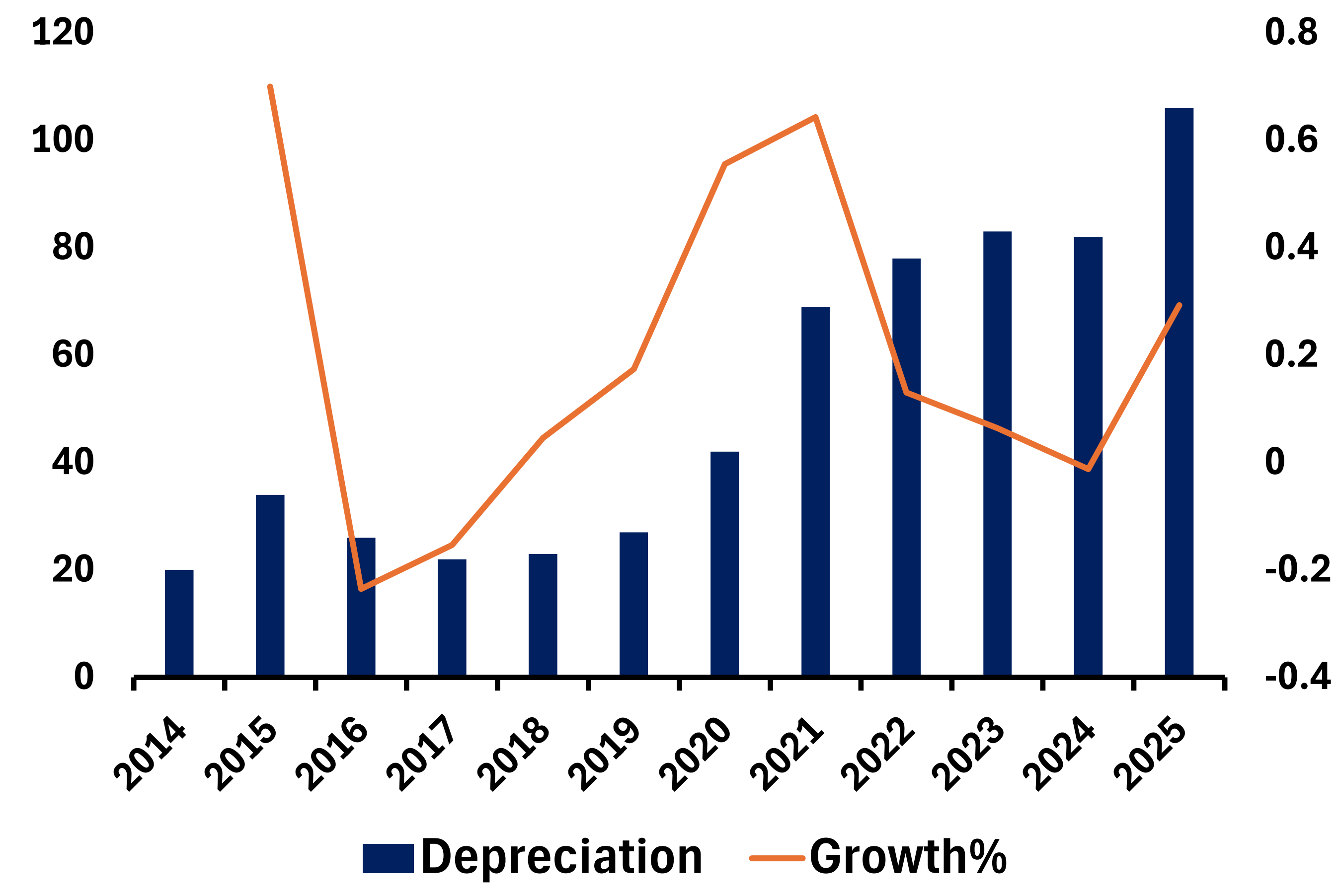

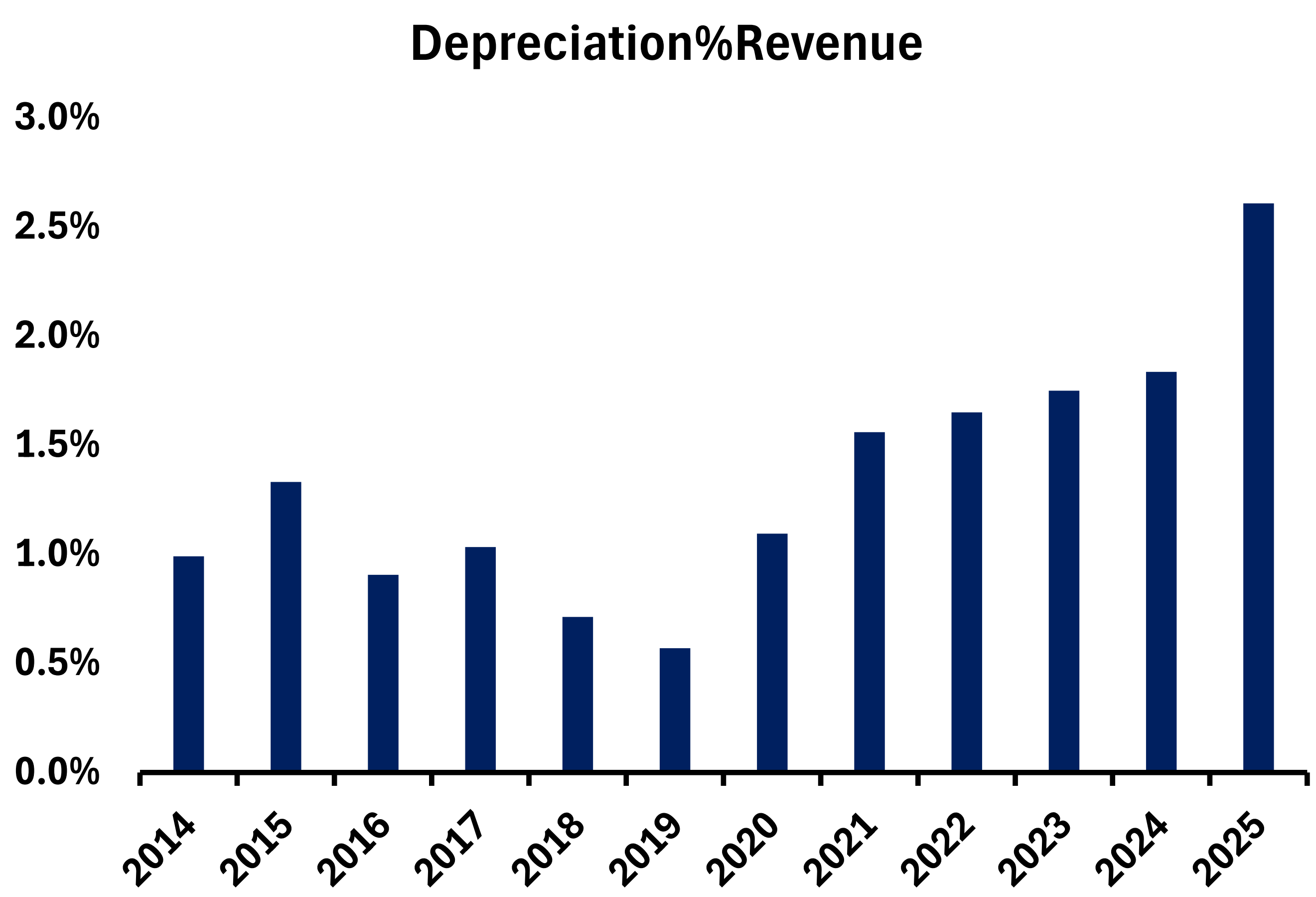

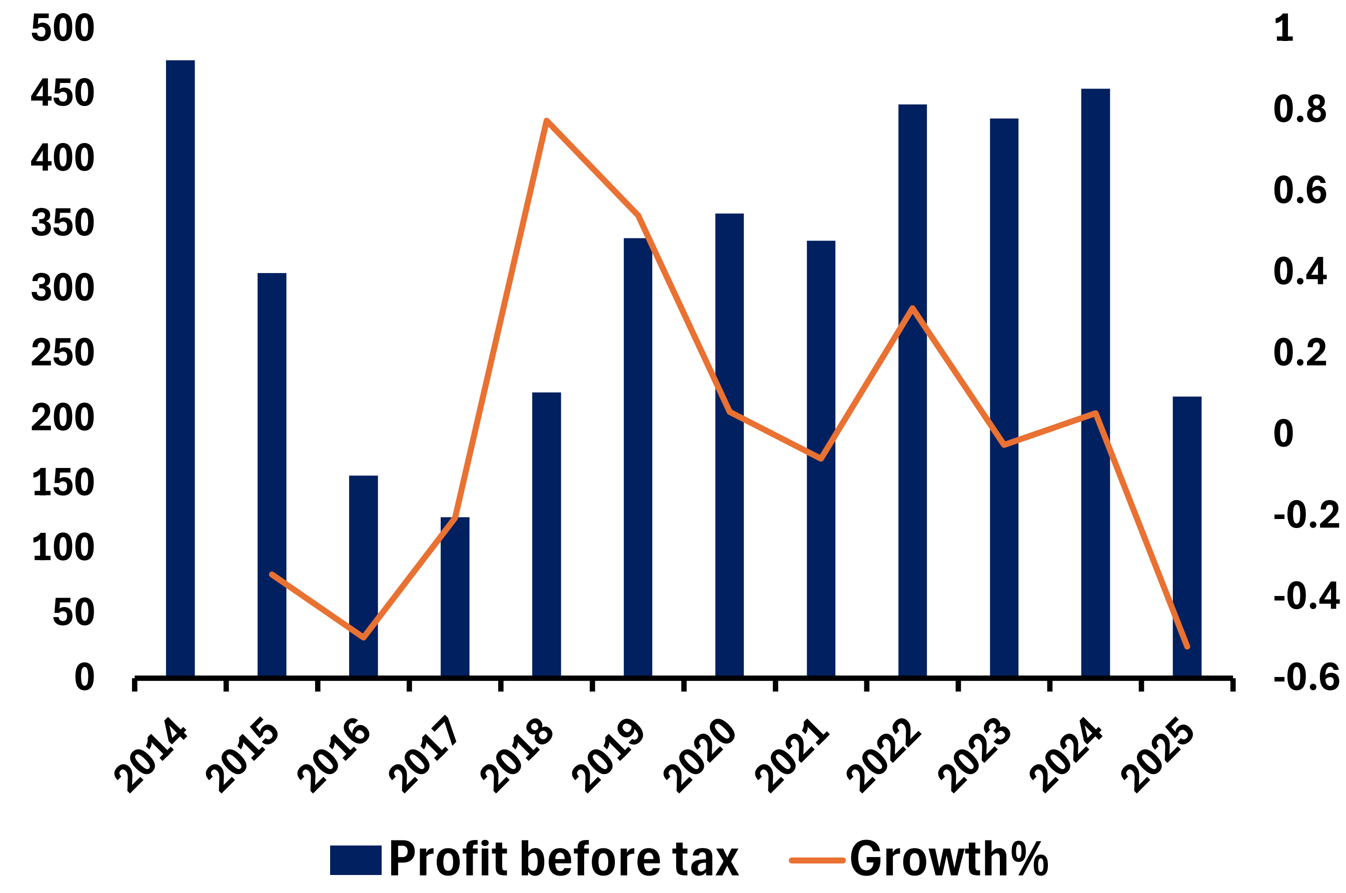

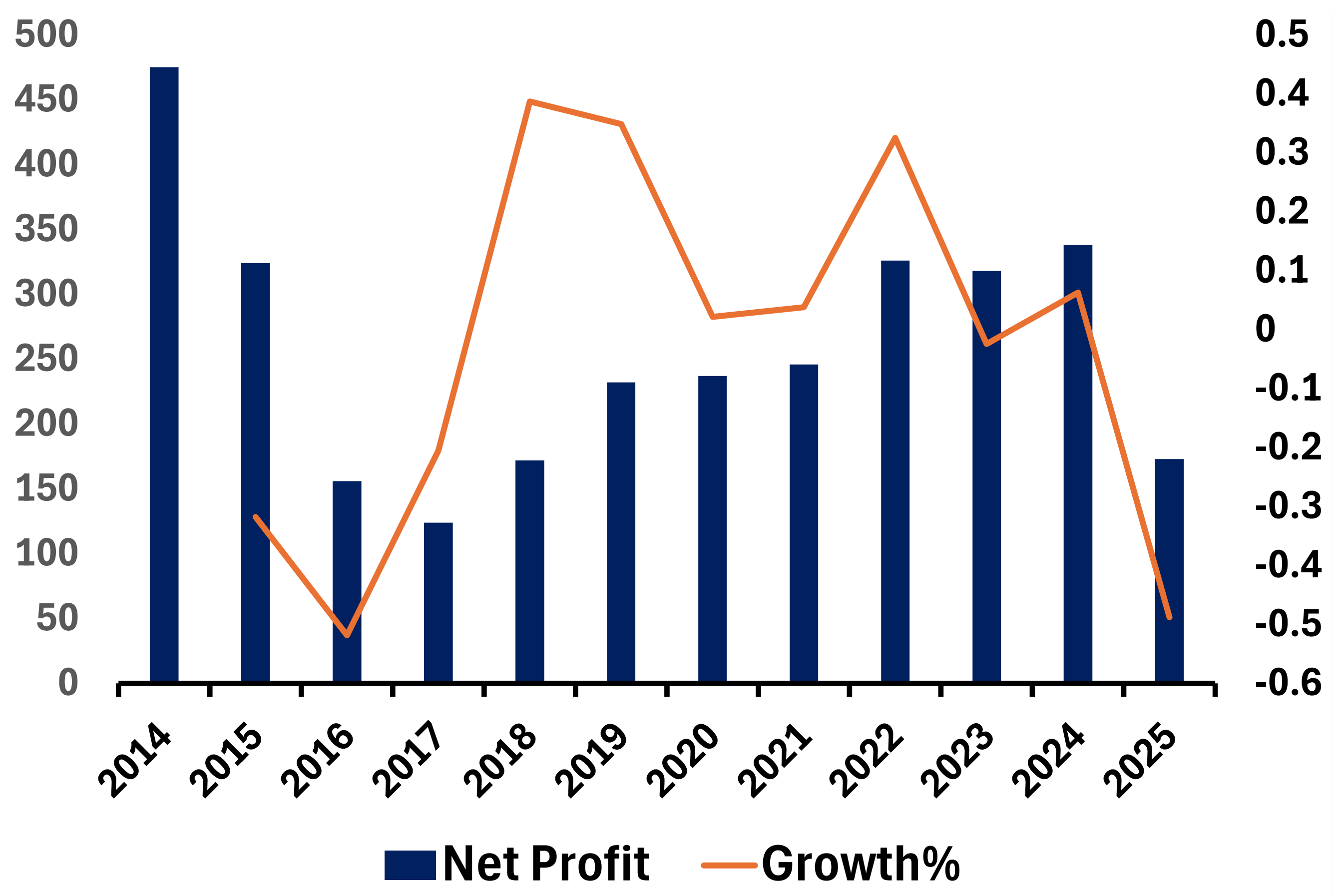

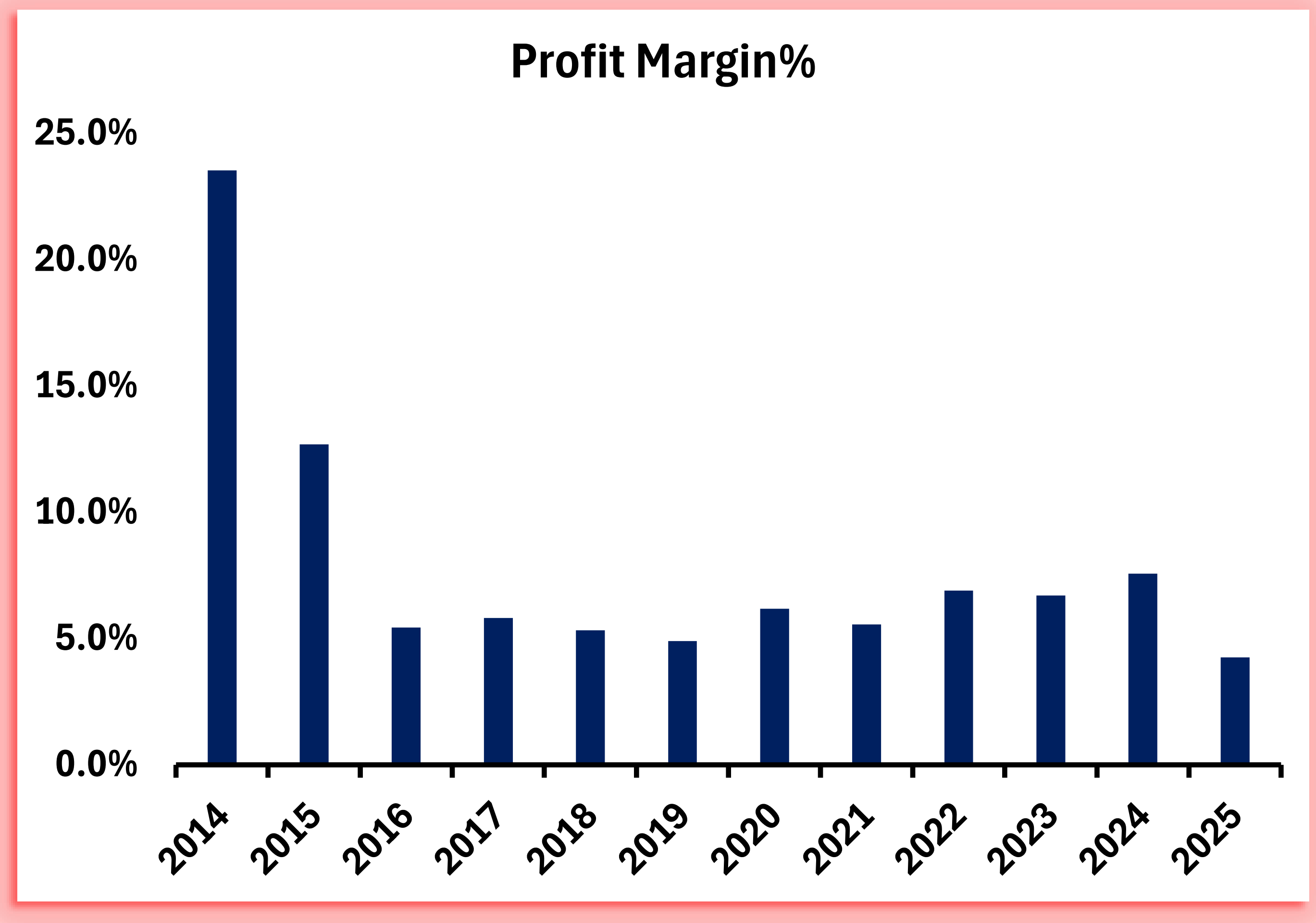

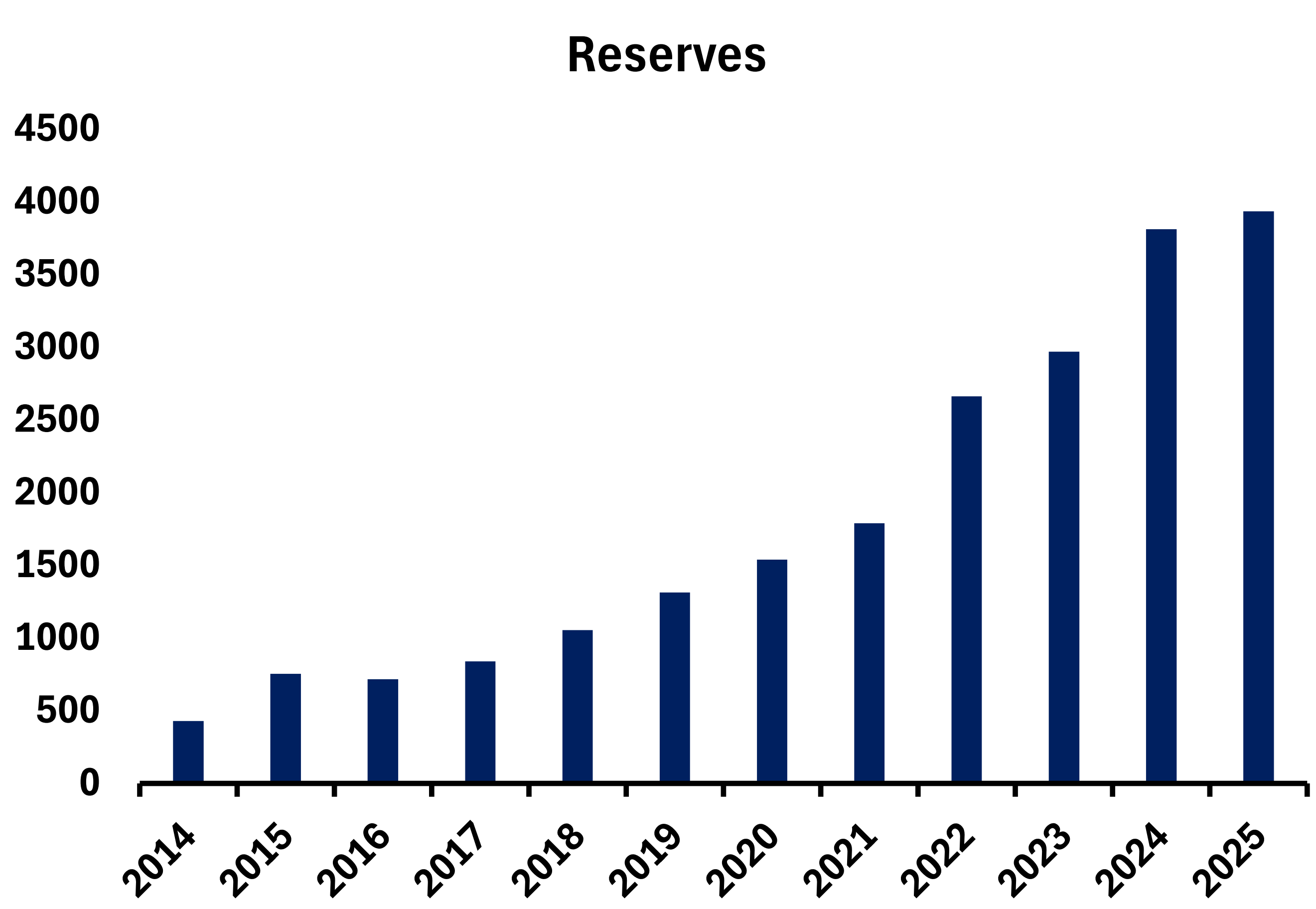

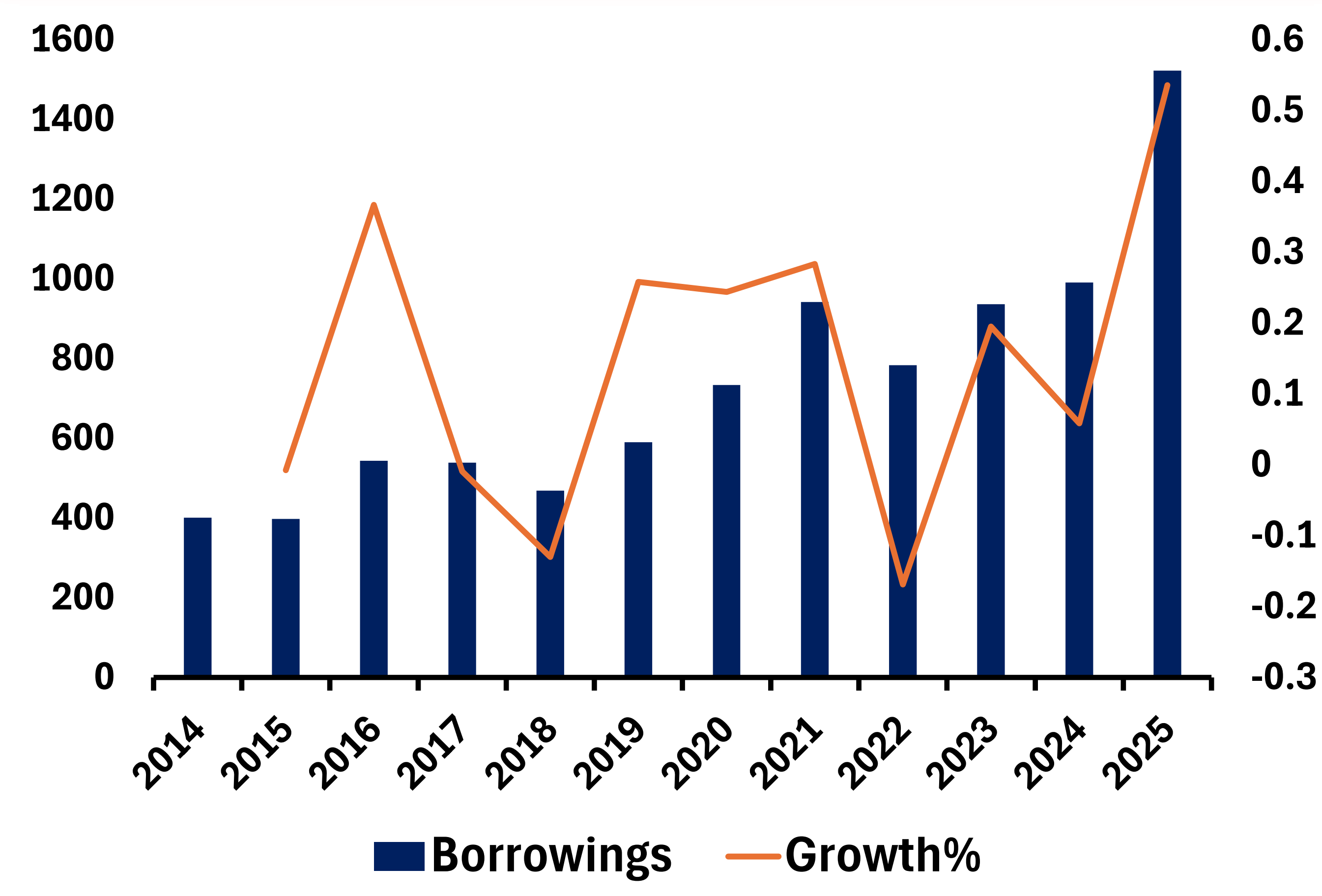

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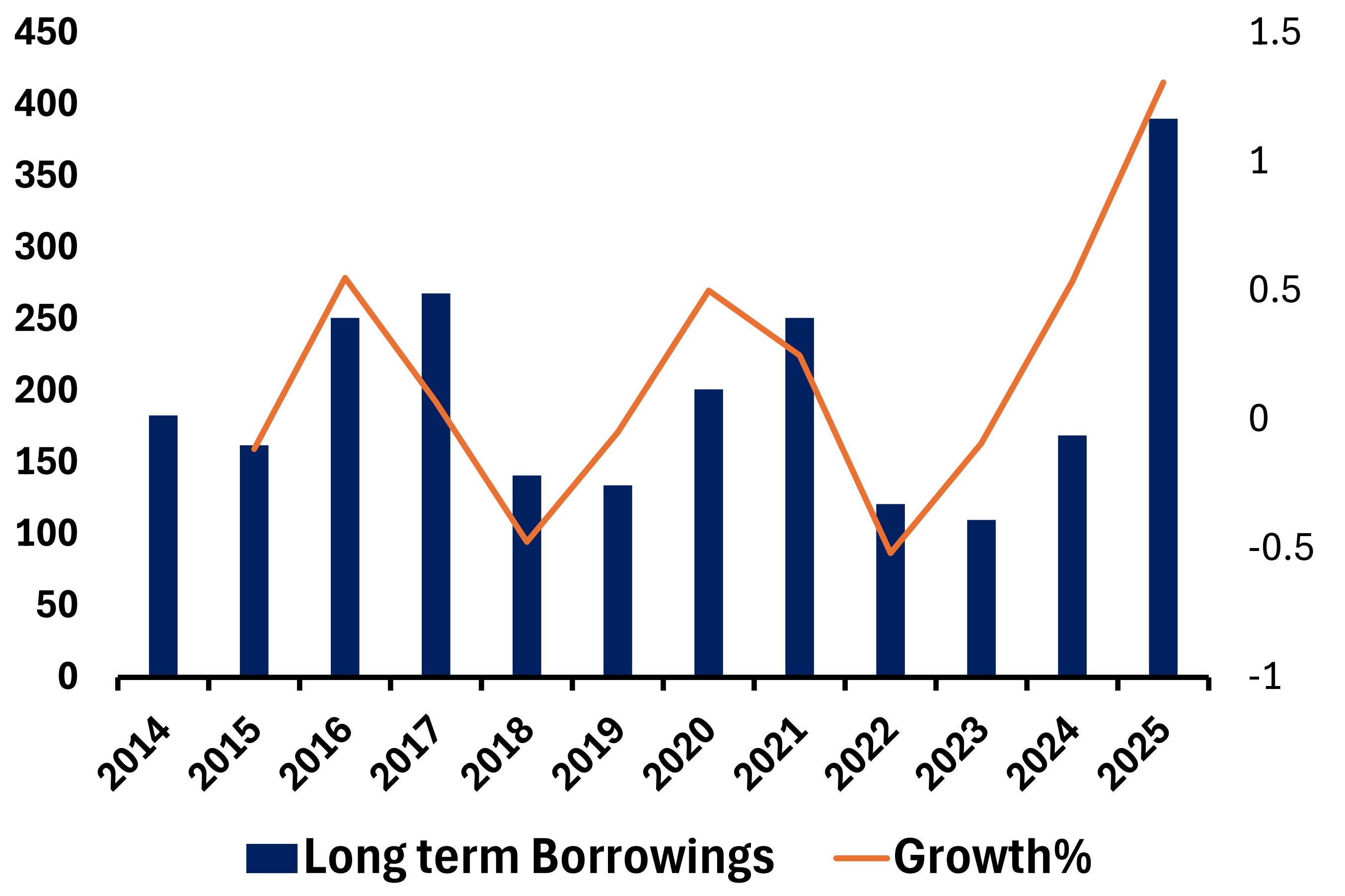

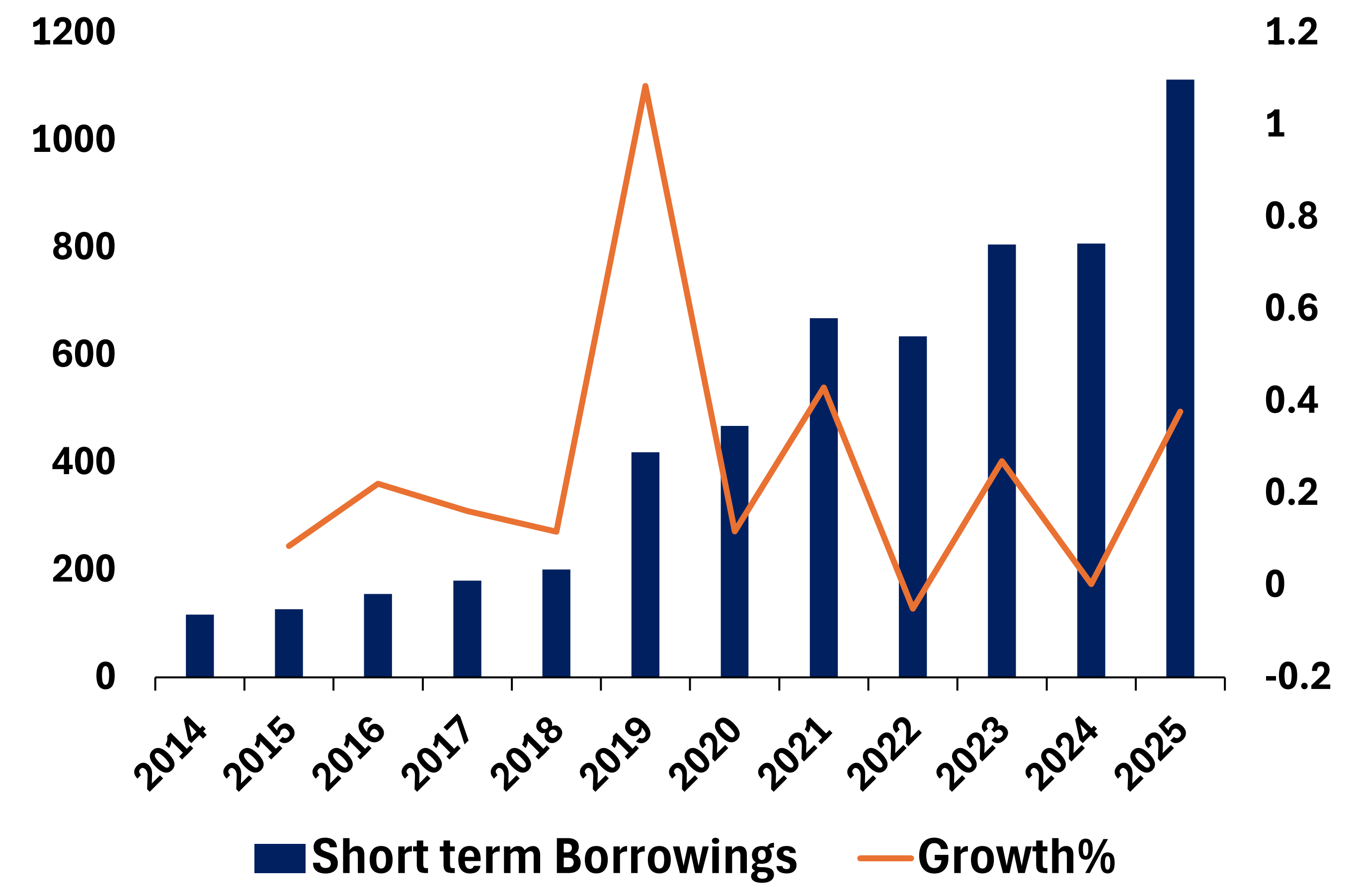

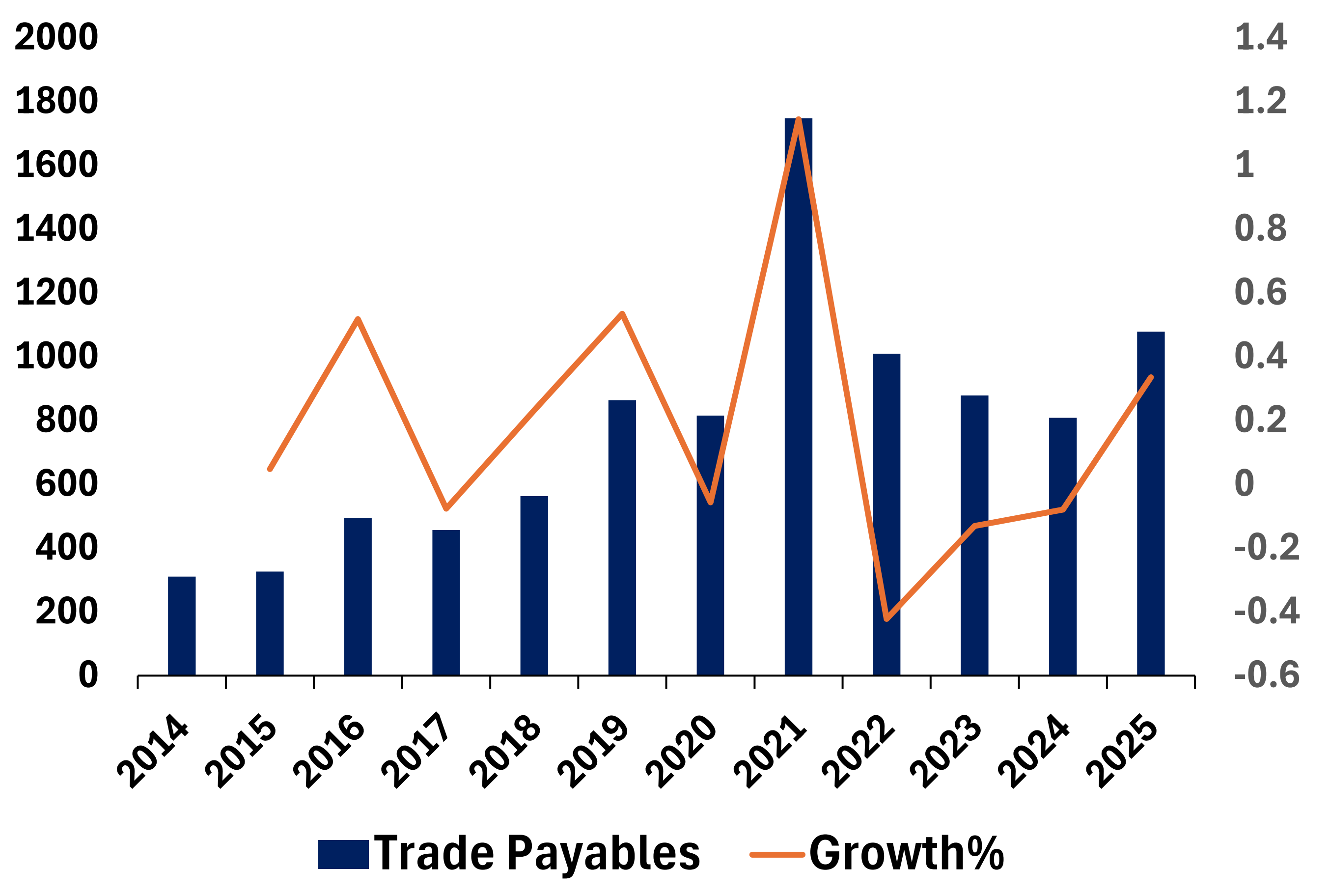

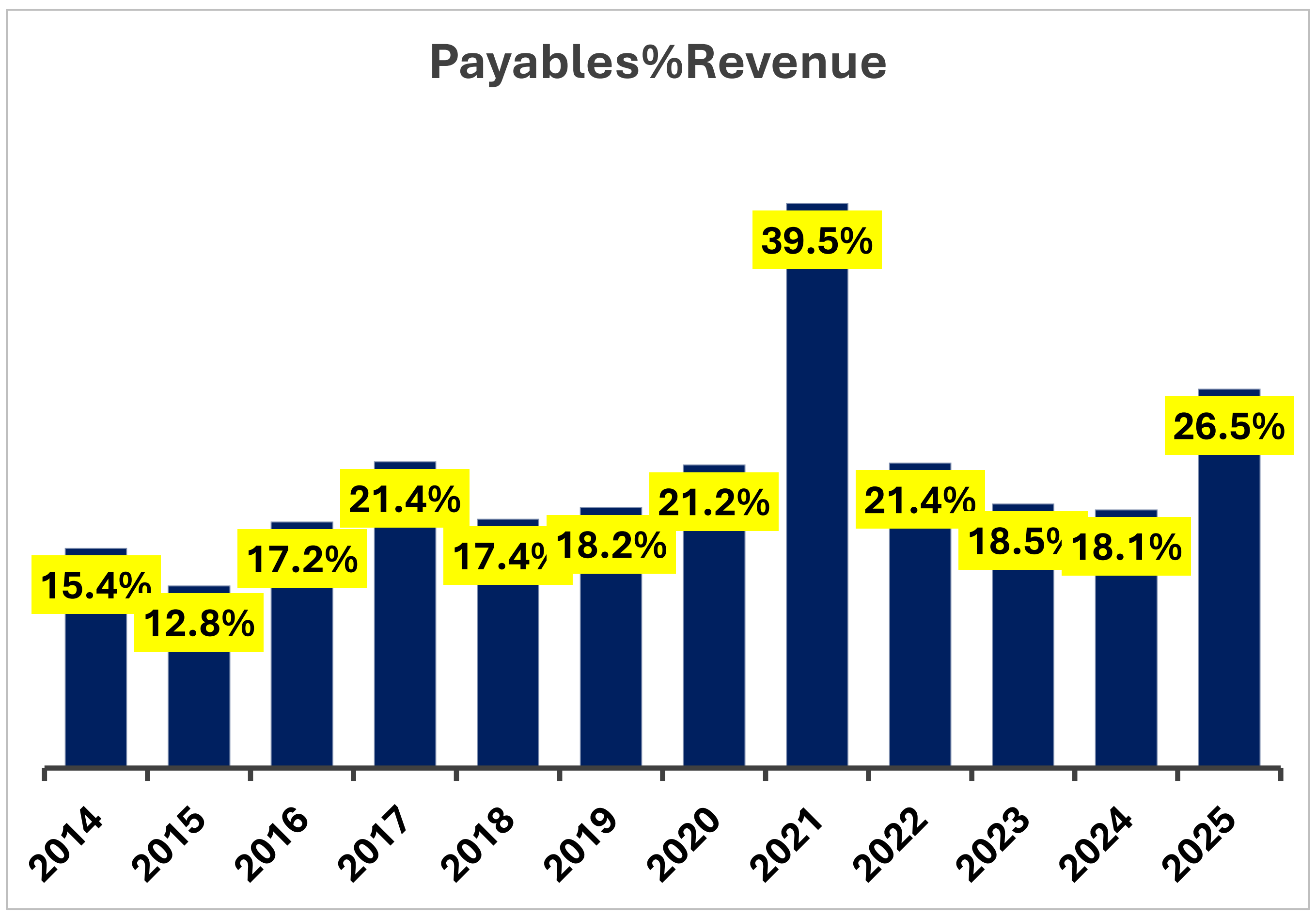

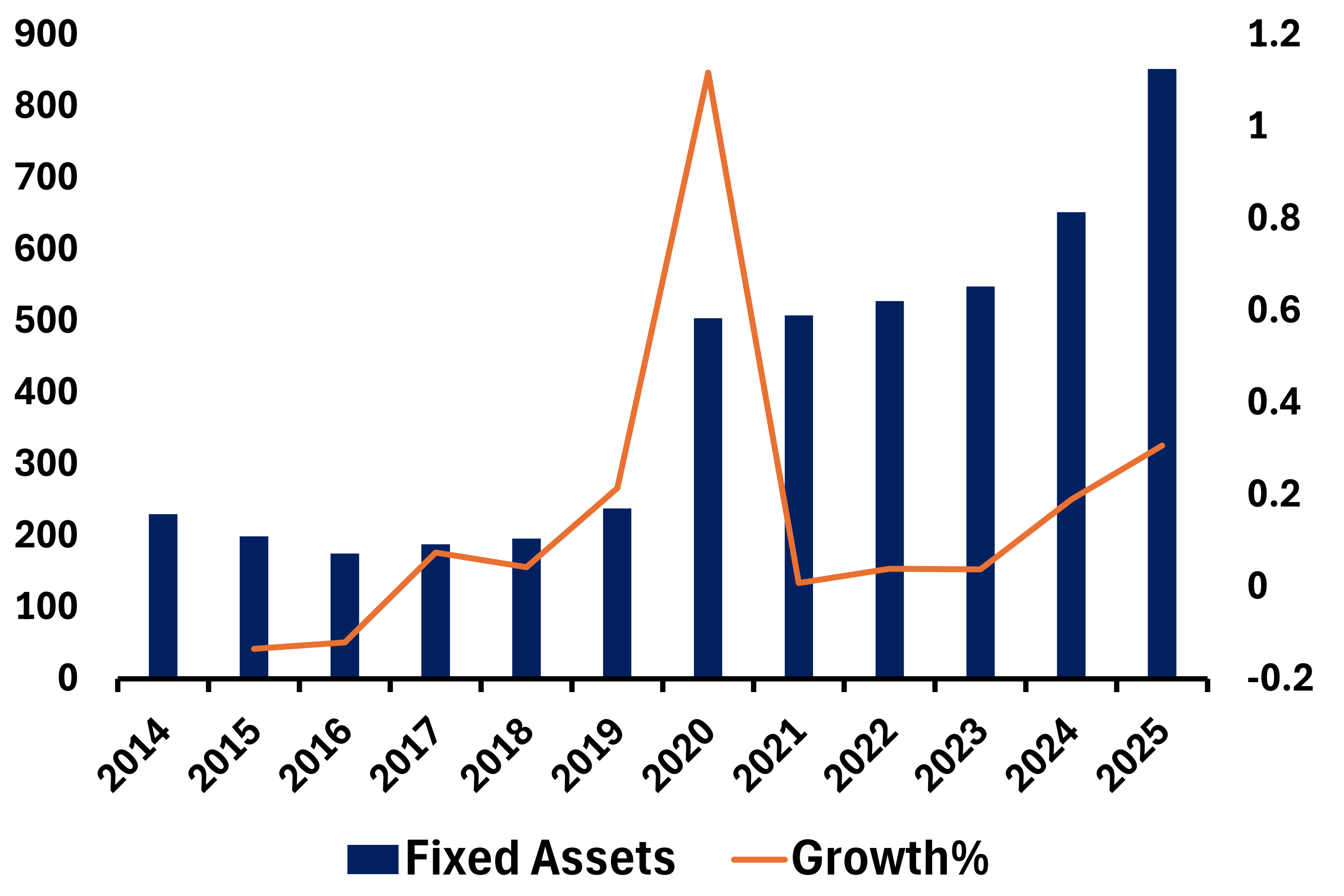

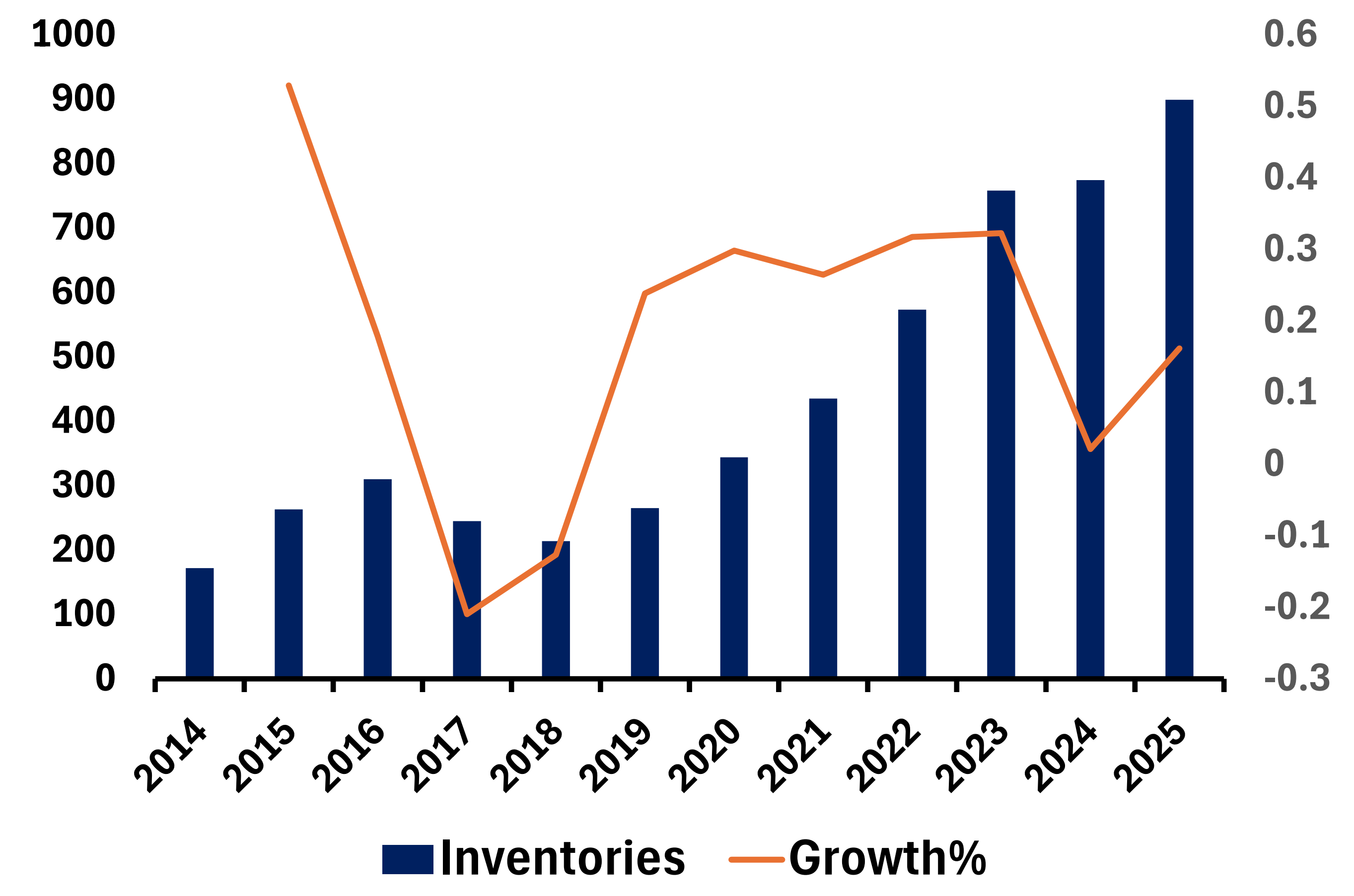

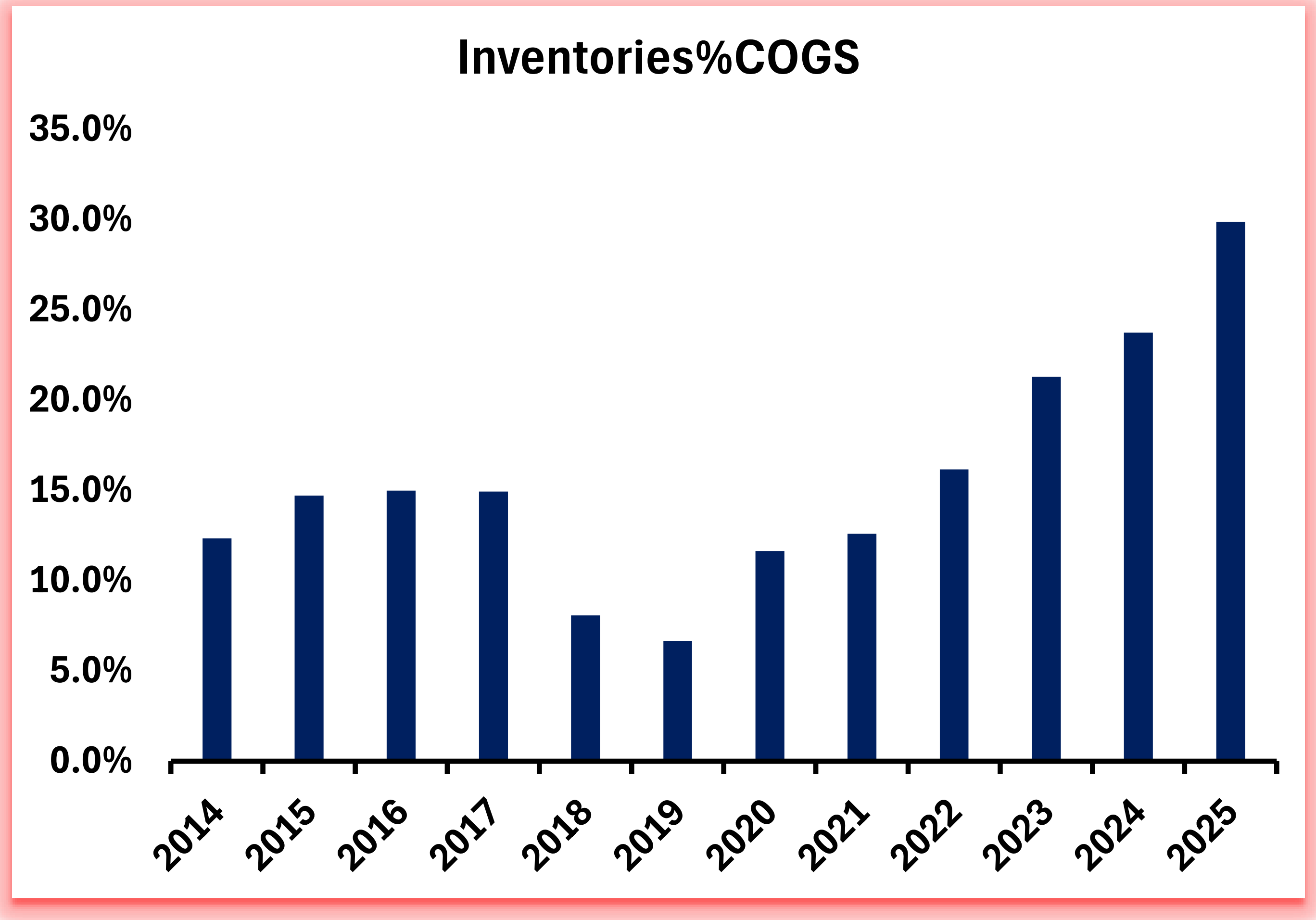

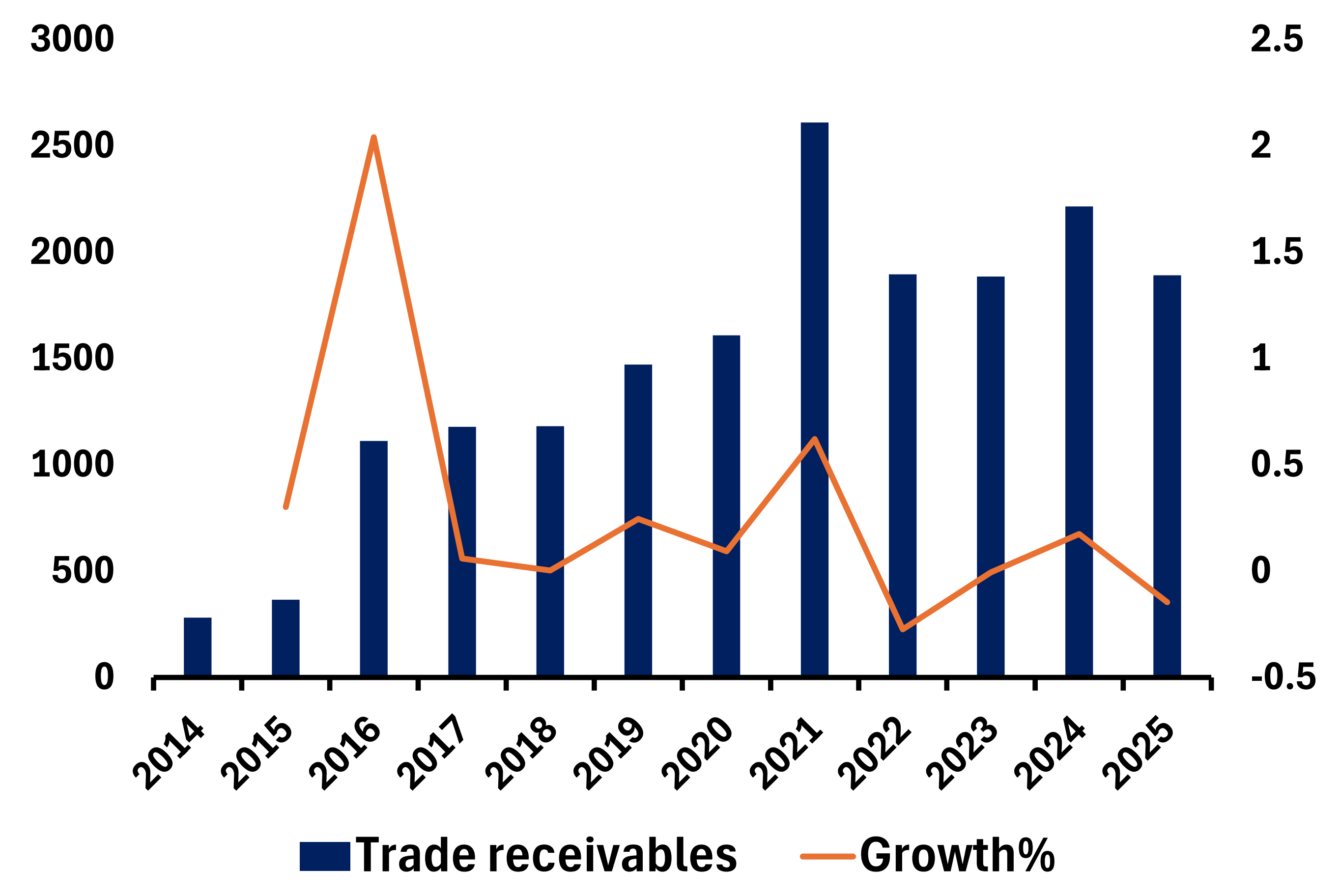

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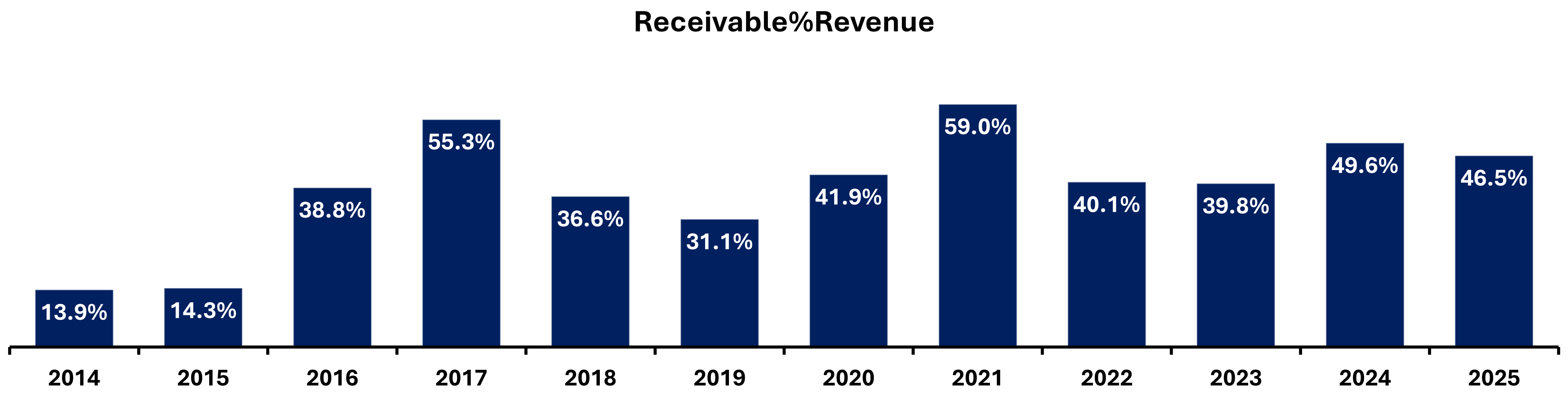


COMMENTS

HFCL Ltd ka market capital ~₹88,874 cr hona aur uske mukable EPS sirf ₹0.19 aur PE 319x yeh clearly dikhata hai ki stock fundamentals se zyada expectations aur narrative par trade kar raha hai. Matlab company jitni kamai aaj kar rahi hai, usse kai guna zyada future ki ummeed me investors aur retailers ise reward kar rahe hain, jo valuation risk ko kaafi high bana deta hai. Aisi valuation tab justify hoti hai jab strong profit growth, high ROCE aur solid cash flows dikh rahe ho, jo HFCL ke case me abhi clearly visible nahi hain.

Company par ₹1,580 cr ka debt hai, aur jab is debt ko profitability aur cash flow ke context me dekha jata hai to concern aur badh jata hai. HFCL ka business working-capital intensive hai, jahan paisa inventory aur receivables me atak jata hai. Aise scenario me debt servicing future me pressure create kar sakti hai, especially agar margins ya cash generation improve nahi hoti.

Revenue growth ka track record bhi disappointing raha hai. March 2014 me revenue ₹2,019 cr tha aur March 2025 me sirf ₹4,065 cr, matlab lagbhag 11 saal me revenue bas ~2x hua hai. Inflation adjust karne par real growth almost flat dikhti hai. Telecom, OFC aur defence jaise sunrise themes ke bawajood company sustainable aur strong topline growth deliver nahi kar paayi, jo execution aur order-conversion issues ki taraf ishara karta hai.

Agar kahin growth dikh rahi hai to wo inventory me hai, jo ek healthy sign nahi mana ja sakta. Company ka inventory COGS ka ~30% hai aur ye lagatar badhta ja raha hai. Iska matlab ho sakta hai ki demand slow hai, projects delay ho rahe hain ya goods timely dispatch nahi ho pa rahe. High inventory se cash block hota hai, obsolescence ka risk badhta hai aur margins par pressure aata hai, jo balance sheet ko aur weak banata hai.

Sabse bada red flag trade receivables ka hai, jo revenue ka 46.5% hai. Matlab company ne sales to book kar li hain, lekin lagbhag aadha paisa abhi tak cash me convert hi nahi hua. Government aur telecom projects me receivables high hona common hai, lekin itna high aur persistent level clearly weak working-capital management aur cash flow stress ko reflect karta hai. Paper profit hone ke bawajood jab cash nahi aata, to company ki financial quality questionable ho jaati hai.

Shareholding pattern bhi confidence boost nahi karta. Promoter holding Dec'22 me 39.24% thi jo Sep'25 tak gir kar 30.02% ho gayi, yani promoters lagatar apni stake kam kar rahe hain. Iske saath hi 56.9% promoter holding pledged hai, jo financial stress ka strong signal mana jata hai, kyunki share price girne par forced selling ka risk hota hai. Upar se public holding 48.89% hona dikhata hai ki stock kaafi had tak retail-driven hai, jahan price fundamentals se zyada sentiment aur narrative se move karta hai.

Overall, HFCL ek aisi company lagti hai jahan story aur expectations strong hain, lekin numbers aur balance sheet us level ka support nahi dete. High valuation, weak cash flows, rising inventory, heavy receivables aur promoter-level stress milkar risk–reward ko unfavorable bana dete hain, especially long-term investors ke liye.

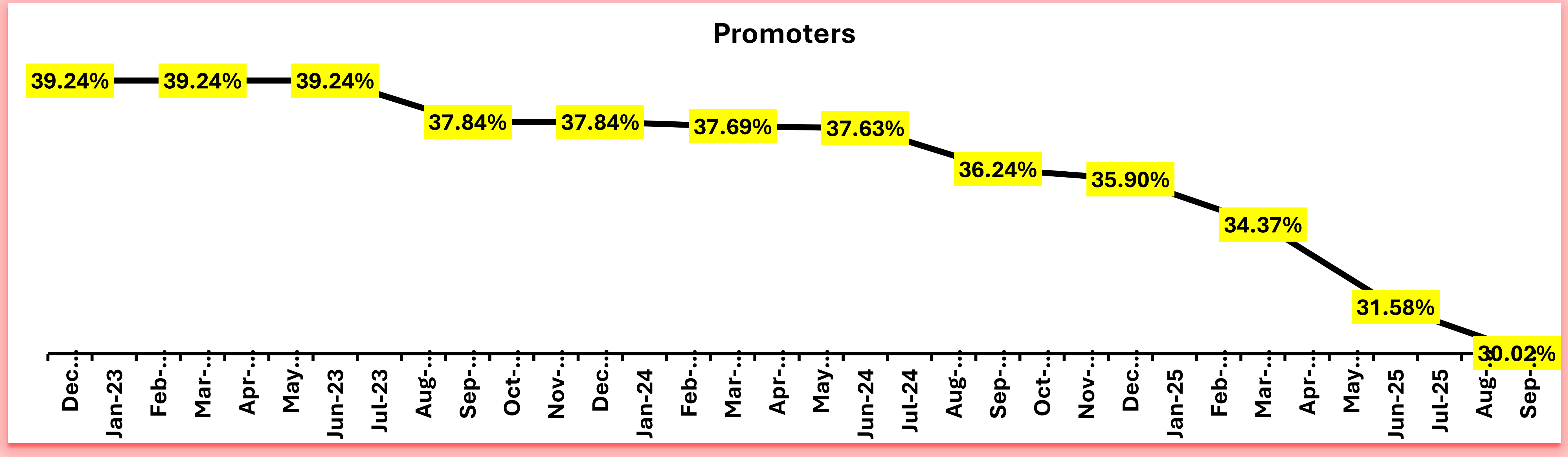
HFCL

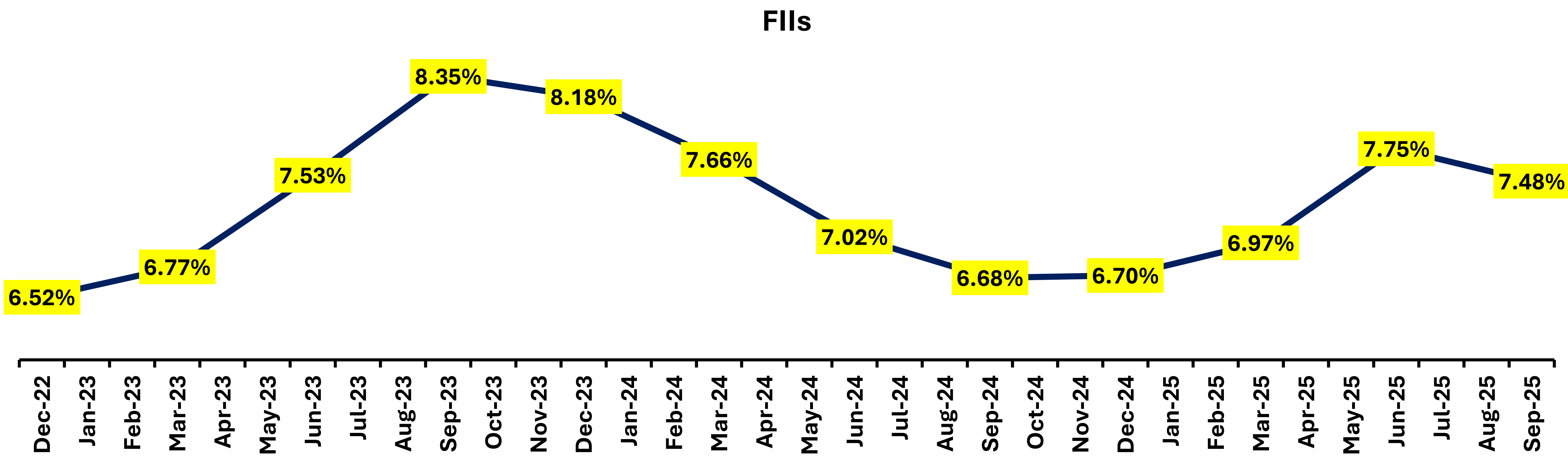
FINANCIAL ANALYSIS

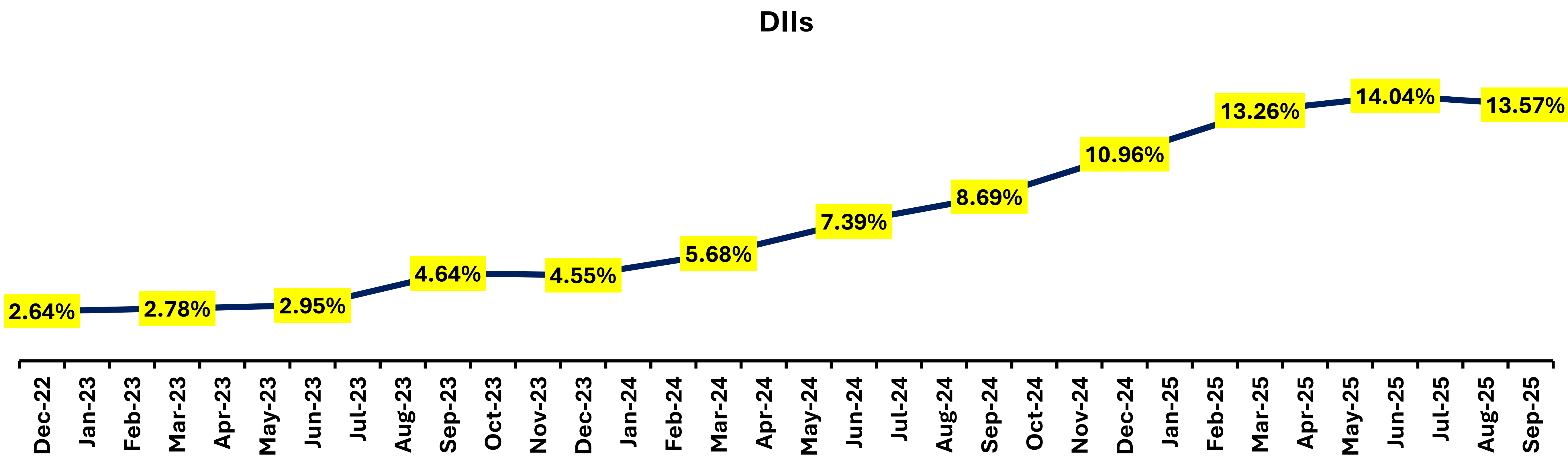
Particular	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Revenue	2,019	2,553	2,872	2,131	3,227	4,738	3,839	4,423	4,727	4,743	4,465	4,065
Growth%		26.4%	12.5%	-25.8%	51.4%	46.8%	-19.0%	15.2%	6.9%	0.3%	-5.9%	-9.0%
Material Cost	162	383	574	639	1,388	2,369	1,305	2,433	2,127	2,466	2,099	2,276
Material Cost %	8%	15%	20%	30%	43%	50%	34%	55%	45%	52%	47%	56%
Manufacturing Cost	1232	1404	1493	1002	1259	1611	1651	1017	1418	1091	1161	732
Manufacturing Cost %	61%	55%	52%	47%	39%	34%	43%	23%	30%	23%	26%	18%
COGS	1393	1787	2068	1641	2646	3980	2956	3450	3545	3557	3259	3008
Growth%		28.3%	15.7%	-20.6%	61.3%	50.4%	-25.7%	16.7%	2.8%	0.3%	-8.4%	-7.7%
Gross Profit	626	766	804	490	581	758	883	973	1182	1186	1206	1057
Growth%		22.4%	5.0%	-39.1%	18.5%	30.5%	16.5%	10.2%	21.4%	0.3%	1.7%	-12.3%
Gross Margin%	***31.0%***	***30.0%***	***28.0%***	***23.0%***	***18.0%***	***16.0%***	***23.0%***	***22.0%***	***25.0%***	***25.0%***	***27.0%***	***26.0%***
Employee Cost	202	204	172	149	161	190	230	265	331	332	357	366
Employee Cost %	10%	8%	6%	7%	5%	4%	6%	6%	7%	7%	8%	9%
Other Cost	242	281	373	149	129	142	154	177	236	237	268	244
Other Cost %	12%	11%	13%	7%	4%	3%	4%	4%	5%	5%	6%	6%
SG&A	444	485	546	298	290	332	384	442	567	569	625	610
Growth%		9.2%	12.5%	-45.3%	-2.7%	14.2%	15.8%	15.2%	28.2%	0.3%	9.8%	-2.5%
EBITDA	182	281	258	192	290	426	499	531	615	617	580	447
Growth%		54.5%	-8.0%	-25.8%	51.4%	46.8%	17.0%	6.3%	15.8%	0.3%	-5.9%	-23.0%
EBITDA Margin%	***9.0%***	***11.0%***	***9.0%***	***9.0%***	***9.0%***	***9.0%***	***13.0%***	***12.0%***	***13.0%***	***13.0%***	***13.0%***	***11.0%***
Interest	44	44	62	62	64	92	115	175	166	152	147	185
Growth%		0.0%	40.9%	0.0%	3.2%	43.8%	25.0%	52.2%	-5.1%	-8.4%	-3.3%	25.9%
Interest%Revenue	***2.2%***	***1.7%***	***2.2%***	***2.9%***	***2.0%***	***1.9%***	***3.0%***	***4.0%***	***3.5%***	***3.2%***	***3.3%***	***4.6%***
Depreciation	20	34	26	22	23	27	42	69	78	83	82	106
Growth%		70.0%	-23.5%	-15.4%	4.5%	17.4%	55.6%	64.3%	13.0%	6.4%	-1.2%	29.3%
Depreciation%Revenue	***1.0%***	***1.3%***	***0.9%***	***1.0%***	***0.7%***	***0.6%***	***1.1%***	***1.6%***	***1.7%***	***1.7%***	***1.8%***	***2.6%***
Profit before tax	476	312	156	124	220	339	358	337	442	431	454	217
Growth%		-34.5%	-50.0%	-20.5%	77.4%	54.1%	5.6%	-5.9%	31.2%	-2.5%	5.3%	-52.2%
Net Profit	475	324	156	124	172	232	237	246	326	318	338	173
Growth%		-31.8%	-51.9%	-20.5%	38.7%	34.9%	2.2%	3.8%	32.5%	-2.5%	6.3%	-48.8%
Profit Margin%	***23.5%***	***12.7%***	***5.4%***	***5.8%***	***5.3%***	***4.9%***	***6.2%***	***5.6%***	***6.9%***	***6.7%***	***7.6%***	***4.3%***

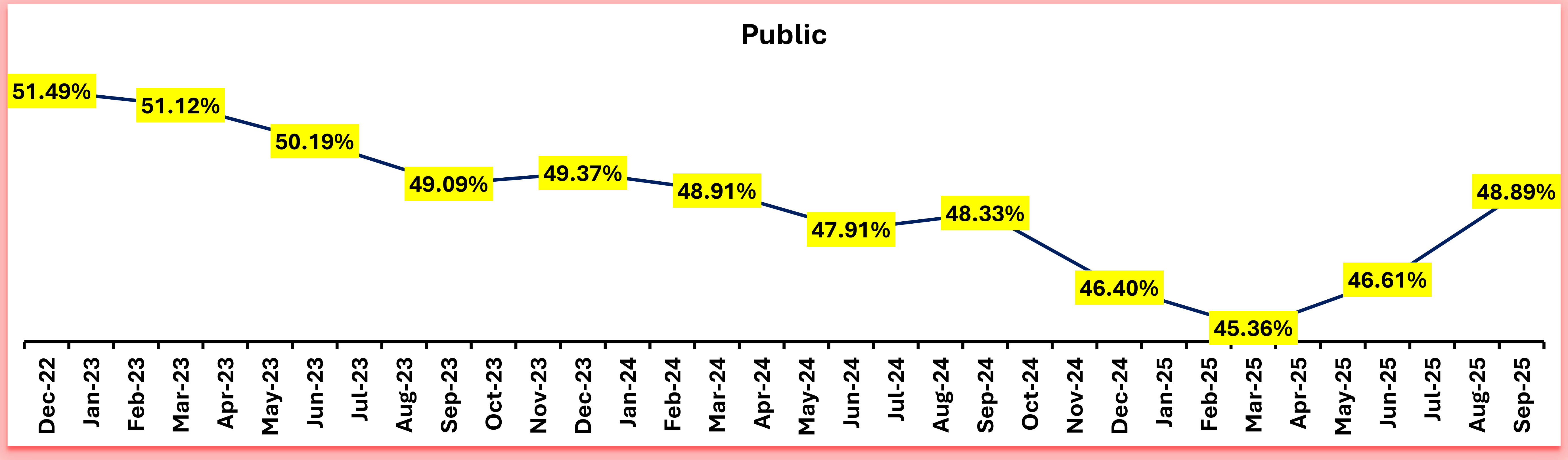
Particular	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Equity Capital	124	124	124	124	124	127	128	128	137	138	144	144
Reserves	430	753	716	840	1,055	1,314	1,540	1,788	2,661	2,970	3,812	3,935
Borrowings	401	398	544	539	469	590	734	942	783	936	991	1,522
Growth%		-0.7%	36.7%	-0.9%	-13.0%	25.8%	24.4%	28.3%	-16.9%	19.5%	5.9%	53.6%
Long term Borrowings	183	162	251	268	141	134	201	251	121	110	169	390
Growth%		-11.5%	54.9%	6.8%	-47.4%	-5.0%	50.0%	24.9%	-51.8%	-9.1%	53.6%	130.8%
Short term Borrowings	117	127	155	180	201	419	468	669	635	806	808	1,113
Growth%		8.5%	22.0%	16.1%	11.7%	108.5%	11.7%	42.9%	-5.1%	26.9%	0.2%	37.7%
Trade Payables	311	326	495	457	563	864	815	1,748	1,010	878	808	1,079
Growth%		4.8%	51.8%	-7.7%	23.2%	53.5%	-5.7%	114.5%	-42.2%	-13.1%	-8.0%	33.5%
Payables%Revenue	***15.4%***	***12.8%***	***17.2%***	***21.4%***	***17.4%***	***18.2%***	***21.2%***	***39.5%***	***21.4%***	***18.5%***	***18.1%***	***26.5%***
Fixed Assets	230	199	175	188	196	238	504	508	528	548	652	852
Growth%		-13.5%	-12.1%	7.4%	4.3%	21.4%	111.8%	0.8%	3.9%	3.8%	19.0%	30.7%
Inventories	172	263	310	245	214	265	344	435	573	758	774	899
Growth%		52.9%	17.9%	-21.0%	-12.7%	23.8%	29.8%	26.5%	31.7%	32.3%	2.1%	16.1%
Inventories%COGS	***12.3%***	***14.7%***	***15.0%***	***14.9%***	***8.1%***	***6.7%***	***11.6%***	***12.6%***	***16.2%***	***21.3%***	***23.7%***	***29.9%***
Trade receivables	281	366	1,113	1,179	1,182	1,472	1,610	2,611	1,896	1,886	2,215	1,892
Growth%		30.2%	204.1%	5.9%	0.3%	24.5%	9.4%	62.2%	-27.4%	-0.5%	17.4%	-14.6%
Receivable%Revenue	***13.9%***	***14.3%***	***38.8%***	***55.3%***	***36.6%***	***31.1%***	***41.9%***	***59.0%***	***40.1%***	***39.8%***	***49.6%***	***46.5%***

SHAREHOLDING PATTERN ANALYSIS









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