



**HFCL LIMITED**

**EARNINGS  
PRESENTATION**

**Q4-FY20 / FY20**

# Company Overview



- HFCL Limited (formerly known as Himachal Futuristic Communications Limited) is a Leading Technology Enterprise connecting the world with fully integrated communication network solutions and specialized services.
- The Company manufactures Optical Fiber, Optical Fiber Cables (OFC) and high end transmission and access equipment catering to different verticals and customers like telecom service providers, railways, defence and security & surveillance projects.
- The Company's in-House Centre for Excellence in Research located at Gurgaon along with invested R&D Houses and other collaborators at different locations in India and Abroad, innovate futuristic range of technology products and solutions with talented human intelligence.
- HFCL Group has fully integrated world class manufacturing facilities at five locations across India to produce wide range of cost competitive new technology products and solutions with proven edge over its peers.
- The Company exports to customers across the world to more than 50 countries.





## OPTICAL FIBER CABLES

- Aerial Cables
- Armoured / Unarmoured Cables
- FTTx Cables
- Duct / Micro Ducts
- Micro Module Cable
- ADSS Cables
- Ribbon Cables
- Premises Distribution Cables
- CPRI Cables

## PASSIVE INTERCONNECT SOLUTIONS

- Cable Assemblies
- Indoor/Outdoor Cabinets
- Splitter Modules
- Joint Closure
- FTTH & Aerial cable assemblies
- EWIS for Defence and Aerospace Automotive

## OPTICAL FIBER



## TELECOM PRODUCTS

- Wi-Fi Network Products
- Microwave Radios
- Cloud-based Management Platform
- Telecom Power Systems
- LTE BSS Equipment

## UNDER DEVELOPMENT

- Routers and Switches
- Intelligent Antenna Systems



## DEFENCE PRODUCTS

- High Capacity Radio Relay

## UNDER DEVELOPMENT / TESTING

- Software Defined Radios
- Ground Surveillance radar
- Electro Optic Devices
- Electronic Fuses

# Portfolio of Network Solutions



## TELECOMMUNICATION NETWORK

- OFC Network
- FTTx Network
- Mobile Network
- Broadband Access & Wi-Fi Network
- Radio backhaul Network



## RAILWAY COMMUNICATION NETWORK

- Turnkey solution Mainline Railway Telecom Network
- Turnkey solution for Metro Railway Telecom Network
- Integration of Signalling & Telecom Network



## DEFENCE COMMUNICATION NETWORK

- OFC Network
- Optical Transport Network
- Fiber Monitoring & Management System
- Microwave Radio Network
- IPMPLS Network



## BORDER & PERIMETRIC SECURITY SYSTEM

- Perimeter Security System for critical Infrastructure
- Smart Border Management System
- Gate Management System
- Smart & Safe City Solution
- Command & Control Centre

# Manufacturing Facilities



**OFC Manufacturing**  
Verna, Goa  
**Capacity:** 8m fkm



**Telecom Equipment Manufacturing**  
Solan, Himachal Pradesh



**OFC Manufacturing**  
Chennai, Tamil Nadu  
**Capacity:** 10.5m fkm



**FRP Rods, IFGR, ARP Manufacturing**  
Hosur, Tamil Nadu  
**Capacity:** FRP Thermal - UV 7,66,800 kms/  
IFGR - 22.50 MT/ARP 1,80,000 kms



**Optical Fiber Manufacturing**  
Hyderabad, Telangana  
**Capacity:** Optical fiber - 6.4m fkm

## EMPOWERING INNOVATION, INTRODUCING NEW TECHNOLOGIES



**Team :** Available intelligence of a large pool of technocrats with proven track record having International experience and business know-how

**Expertise :** Design & Development including System Engineering and Product design, Hardware & Software development, Mechanical design and providing end to end solution for Telecom, Defence, Railways and Security & Surveillance.

## STRATEGY



- Promote In-house R&D & Innovation
- Co-innovate with other R&D Houses
- In-organic growth by acquiring R&D Houses at early stage
- Vision to develop products which can be sold globally and can be bench marked with other leading global manufacturers
- Focus on developing cost effective next generation products and solutions with own IPR

## OPTICAL FIBER CABLES



### Developed :

- Micromodule Cable 12F-288F.
- Steel Armored Micromodule Cable
- Ribbon Cable upto 2004F
- Higher Fiber Count Ribbon Unitube Cable
- Air blown cable ,compatible for extreme low temp.

### Under Development :

- Higher Fiber Count Micromodule Cable (432-864F)
- Dry & Lower Diameter Micro modules cables- Upto 96F
- Dry Ribbon Cable Up to 288F
- Spider Web Ribbon Cable (1734F-3456F)
- Mini Drop Cable
- Hybrid Cable
- Tactical Cable (For Defense Application)

## TELECOM PRODUCTS



### Developed :

- Wi-Fi Network Products
- Microwave Radios
- Cloud Based Management Platform

### Under Development :

- Routers & Switches
- Intelligent Antenna Systems

## DEFENCE PRODUCTS



### Developed :

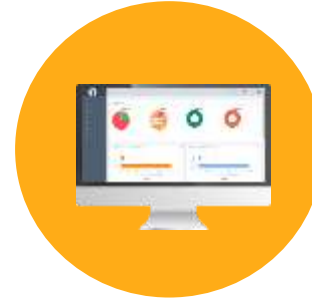
- High Capacity Radio Relay

### Under Development :

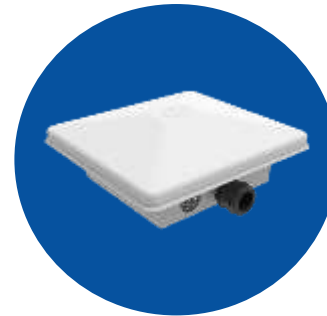
- Software Defined Radios
- Ground Surveillance Radar
- Electro Optic Devices
- Electronic Fuses

## Globally benchmarked, Next Generation Wi-Fi Technology products and solutions

- IO is a platform that aims to bring in efficiency and intelligence to mobility and assist global citizens to use the most advanced Wi-Fi technology products & solutions while keeping a sharp focus on security and safety
- Fully designed, developed and manufactured in India with full IPR ownership residing with the Company
- Ready to meet the enormous global and Indian Wi-Fi network demand
- IO Networks are globally benchmarked with features of Next-Gen technologies across all products with flexibility to be customised
- Major Global Certifications in place



**Controller & NMS**



**Unlicensed Band Radios**



**Wi-Fi Access Points**

# Key Customers







## EUROPE

- Ireland
- Bosnia and Herzegovina
- Latvia
- Lithuania
- Croatia
- Czech Republic
- Macedonia
- France
- Germany

- Hungary
- Poland
- UK
- Italy
- Slovenia
- Spain
- Switzerland
- Albania
- Greece

## AMERICAS

- Brazil
- Canada
- Mexico
- Peru
- Georgia
- Costa Rica
- United States

## AUSTRALIA, ASIA

- Bangladesh
- Bhutan
- Burma (Myanmar)
- Malaysia
- Nepal
- Thailand
- Philippines
- Ukraine
- Singapore
- Sri Lanka

- Iran
- Kuwait
- Cyprus
- Mauritania
- Morocco
- Egypt
- Oman
- Qatar
- UAE
- Saudi Arabia
- Somalia

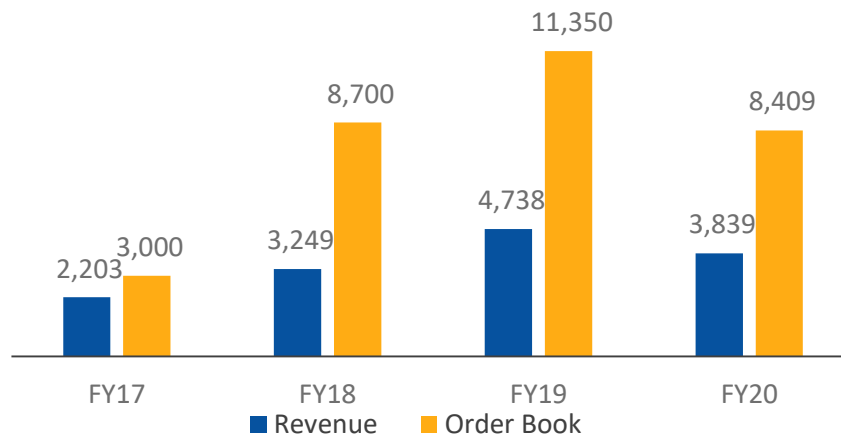
## AFRICA

- Kenya
- Nigeria
- South Africa
- Rwanda
- Tanzania
- Uganda
- Zimbabwe

# Current Order Book of ~INR 8,409 Cr provides visibility



Order Book To Revenue (INR Cr)



**Total Order book of ~INR 8,409 Cr as on 31 March, 2020**

Prestigious orders spread across all business verticals and customers - telecom, defence, railways, security & surveillance, OFC Turnkey & manufacturing and private operators

**~2.2 times**  
FY20 revenue  
**Strong Earning**  
**Visibility**

O&M Contracts  
worth ~INR 1,614 Cr  
Ensuring high margin  
revenues YoY

## TELECOM



- **5G, M2M, IoT** shall require extensive fiberisation. Networks shall become denser and deeper. About 70%-80% towers need to be fiberised
- **FTTH** shall become dominant for broadband dream
- **Govt. Initiatives** like Digital India, BharatNet, Defence Communication, Wi-Fi, Railways, Smart Cities etc. will propel demand for communication infra. New Digital Communication Policy sets aggressive targets

## DEFENCE NETWORK



- Government has set the goal to reduce Imports from 65% to 30%
- Defence Procurement Procedure has been amended to encourage participation by domestic players
- Defence projects the export of INR 35,000 crores by 2025
- Policy measures will lead indigenous manufacturing of Electronic Fuses, Electro Optical Devices, UAVs, Radar, Electronic Warfare and communication equipment etc.

## RAILWAYS



- Legacy Signaling and Telecom Systems need an overhaul
- New rail lines shall also deploy next generation telecom and signaling systems
- Indian Railways would spend huge amount over the next few years

## SECURITY & SURVEILLANCE



- Smart cities & City surveillance, Perimeter security of critical infrastructure and Artificial Applications into surveillance present a promising opportunity
- High speed Communication technology shall play a key role with open data and end-to-end security
- OFC Connectivity being telecom backbone forms an essential part
- The rapid advancement in surveillance technologies are going to completely redefine the security functions

# Value Proposition



## Agile Portfolio of Products and Solutions

Agile portfolio of products and solutions backed by excellent manufacturing facilities

## Healthy Order Pipeline

Order book of INR 8,409 provides earning visibility and comprises of INR 1,614 Cr high margin O&M Contracts

## Global & Diverse Customer Base

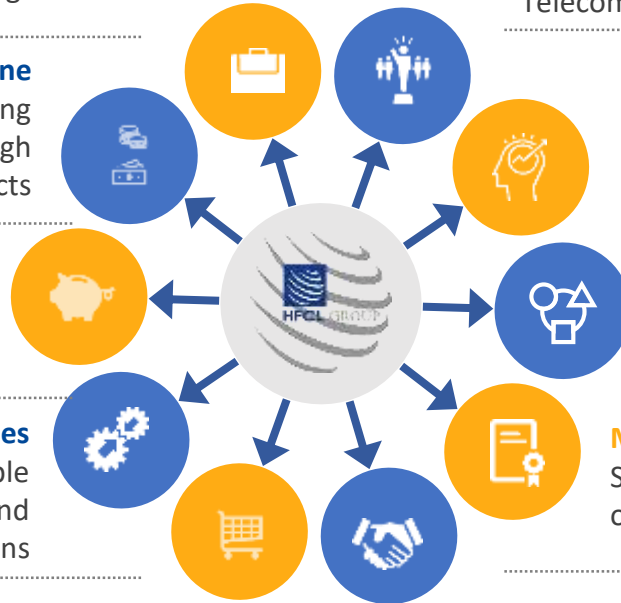
Diverse Customer Base across geographies and all verticals of operations ensure sustainable growth

## World Class Manufacturing Facilities

State of the Art Manufacturing Facilities capable to deliver latest technology products and solutions

## New Business Verticals

Developing new products for Telecom and Defence. Promising opportunities in Railways, Smart Cities & Surveillance.



## Leadership

Established leader in providing fully integrated solutions in building Communication Networks for Telecom, Defence, Railways and other sectors

## Inhouse R&D

Strong Team of R&D professionals continues to accelerate and bring in cost competitive new technology solutions with significant margins

## Comfortable Debt Equity

Comfortable D/E of 0.43x with credit rating of A-

## Massive Business Opportunity

Stands benefitted with massive business opportunity across all its business verticals

## Strategic Partnerships

Long standing association with marquee customers

**Produce Technology Solutions with competitive capabilities for diverse and expanded Customer Base**

**Guided towards creating Shareholders' Value with strong Fundamentals for sustained Growth**

- Our Centre for Excellence in Research alongwith Invested R&D Houses and Collaborators at different locations in India and Abroad are working on development new age technologies.
- We can leverage on State of the Art Manufacturing and network solution capabilities with proven track record to provide end to end solutions covering all aspects of value chain for any network solution
- We have worldwide customers and focus on expanding exports



## Levers

- R&D and Technology
- State of the Art Manufacturing
- Network Solution Capabilities
- Worldwide Customers



## Objectives

- Excel in Technology with New Products & Solutions
- Deliver Quality and Cost Competitive products & solutions
- Always remain a preferred vendor
- Expand Geographies & Customer Base



## Goals

- Grow as a Technology Enterprise
- Create Shareholders' Value



## Financial Overview

Q4FY20/FY20

# Q4-FY20 Financial Highlights - Consolidated



## Supply Chain disruptions from Q4 have impacted revenue and consequently profit margins

- Dispatches were effected during the lockdown period which have now resumed gradually
- There has been no cancellation of any orders and therefore, the impact can be construed just as deferment of revenue to the subsequent quarters
- The deferment of revenue has stressed the operating cycle and cash flows which the Company is able to manage efficiently
- There has been no impact on the assets of the Company. None of the assets have been impaired.
- The Company has taken several initiative for further cost rationalization including salary cut , restructuring of emoluments with increased performance linked component, reduction in administrative costs , resource optimisation etc.

## Q4-FY20 Financial Highlights (Consolidated)

Total Income	EBITDA	EBIDTA Margins
INR 6,681 Mn	INR 763 Mn	11.42%
- 46.4% YoY	- 43.7% YoY	+ 55 Bps YoY
PAT	PAT Margins	Diluted EPS
INR 87 Mn	1.30%	INR 0.04
- 86.8% YoY	- 399 Bps YoY	- 92.0% YoY

# FY20 Financial Highlights - Consolidated



**Challenging FY20, yet the Company accelerated its technology thrust with R&D Initiatives, launched its own range of Wi-Fi Solutions. It also increased operating profits and margins**

- Commenced production at greenfield facility for Optical Fiber
- Launched Indigenously developed Next Generation Wi-Fi Technology products and solutions to facilitate stronger Wi-Fi networks
- The Company also launched its range of Unlicensed Band Radios
- R&D and Technology remained to be the Core Belief with launch of products and a few acquisitions and collaborations.
- Cost efficiency coupled with high margin orders led to increased Operating Margin
- Effective capital management has kept a very low gearing of 0.43
- Strong Order Book of INR 8,409 Crs, well dispersed across verticals and customers with INR 1,614 Crs of O&M Orders

## FY20 Financial Highlights (Consolidated)

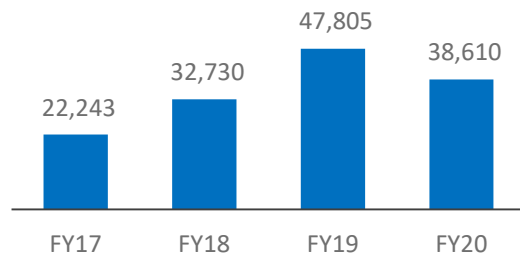
Total Income	EBITDA	EBITDA Margins
INR 38,610 Mn	INR 5,162 Mn	13.37%
- 19.2% YoY	+ 12.6% YoY	+ 378 Bps YoY
PAT	PAT Margins	Diluted EPS
INR 2,373 Mn	6.15%	INR 1.76
+ 2.2% YoY	+ 129 Bps YoY	+ 0.6% YoY



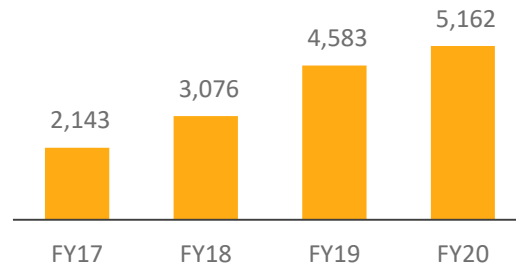
# FY20 Performance Metrics – Consolidated



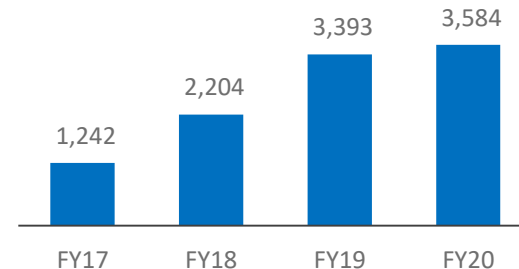
### Total Income(INR Mn)



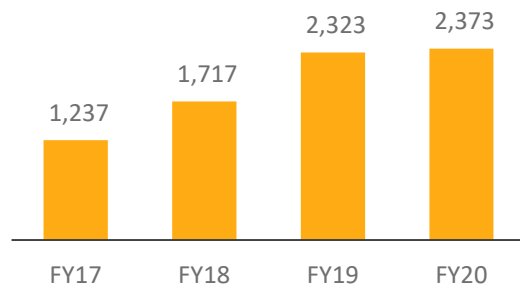
### EBITDA (INR Mn)



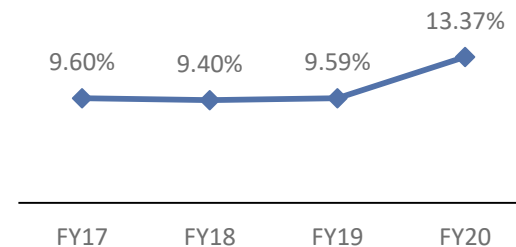
### PBT (INR Mn)



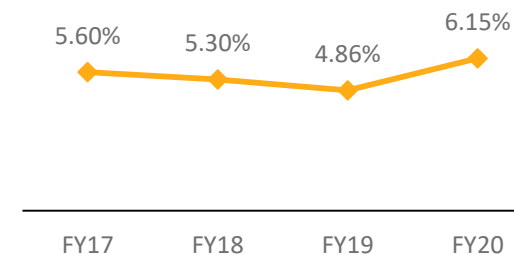
### PAT (INR Mn)



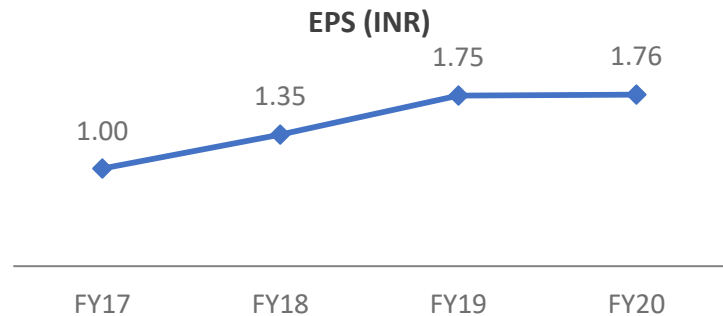
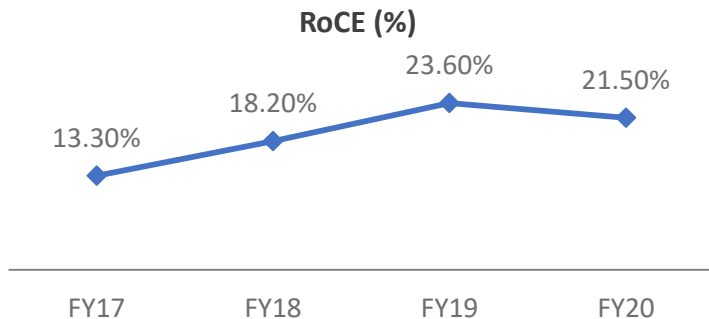
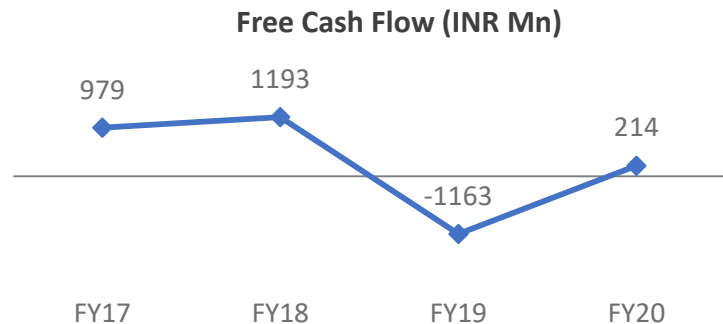
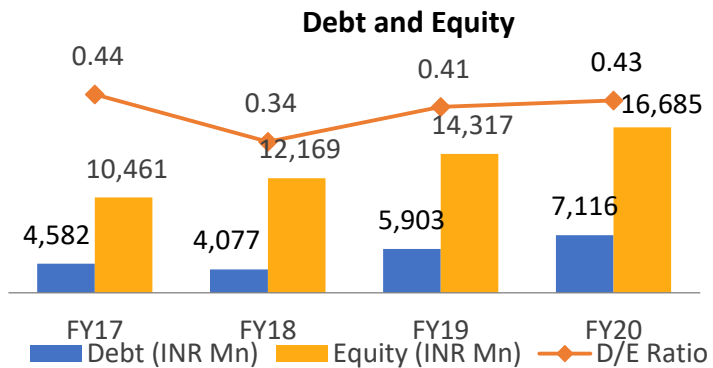
### EBITDA Margin (%)



### PAT Margin (%)



# FY20 Performance Metrics – Consolidated



**Grow with Increased Returns  
&  
Create Shareholders' Value**



## **Increase profits in absolute value**

- Own technology products to deliver good returns
- Choose high margin orders
- Backward integration to bring in efficiency
- Cost efficiency measure to continue



## **Continue with Low Gearing & Effective Working Capital Management**

- Contain the gearing at reasonably low level
- Effective management of Working Capital



## **Improve Returns & Ratios**

- Accelerate generation of Free Cash Flow
- Continue to enhance RoCE
- Expand EPS and other Return ratios

# Q4-FY20 Consolidated Income Statement (IND-AS)



Particulars (INR Mn)	Q4-FY20	Q3-FY20	Q-o-Q	Q4-FY19	Y-o-Y
Revenue from Operations	6,632	8,535	(22.3)%	12,155	(45.4)%
Other Income	49	88	(44.3)%	314	(84.4)%
<b>Total Income</b>	<b>6,681</b>	<b>8,623</b>	<b>(22.5)%</b>	<b>12,469</b>	<b>(46.4)%</b>
Total Expenses	5,918	7,583	(22.0)%	11,114	(46.8)%
<b>EBITDA</b>	<b>763</b>	<b>1,040</b>	<b>(26.6)%</b>	<b>1,355</b>	<b>(43.7)%</b>
<b>EBITDA Margin (%)</b>	<b>11.42%</b>	<b>12.06%</b>	<b>(64) Bps</b>	<b>10.87%</b>	<b>55 Bps</b>
Depreciation	149	99	50.5%	85	75.3%
Finance Cost	333	240	38.8%	286	16.4%
Share of net profits of JV's accounted using equity method	-	(3)	NA	6	NA
Exceptional Items	-	-	NA	-	NA
<b>PBT</b>	<b>281</b>	<b>698</b>	<b>(59.7)%</b>	<b>990</b>	<b>(71.6)%</b>
<b>PBT Margin (%)</b>	<b>4.21%</b>	<b>8.09%</b>	<b>(388) Bps</b>	<b>7.94%</b>	<b>(373) Bps</b>
Tax	194	242	(19.8)%	331	(41.4)%
<b>Profit after Tax</b>	<b>87</b>	<b>456</b>	<b>(80.9)%</b>	<b>659</b>	<b>(86.8)%</b>
<b>PAT Margin (%)</b>	<b>1.30%</b>	<b>5.29%</b>	<b>(399) bps</b>	<b>5.29%</b>	<b>(399) Bps</b>
Other Comprehensive Income	10	(2)	NA	58	(82.8)%
<b>Total Comprehensive Income</b>	<b>97</b>	<b>454</b>	<b>(78.6)%</b>	<b>717</b>	<b>(86.5)%</b>
EPS (Diluted INR)	0.04	0.36	(88.9)%	0.50	(92.0)%

# FY20 Consolidated Income Statement (IND-AS)



Particulars (INR Mn)	FY20	FY19	Y-o-Y
Revenue from Operations	38,389	47,378	(19.0)%
Other Income	221	427	(48.2)%
<b>Total Income</b>	<b>38,610</b>	<b>47,805</b>	<b>(19.2)%</b>
Total Expenses	33,448	43,222	(22.6)%
<b>EBITDA</b>	<b>5,162</b>	<b>4,583</b>	<b>12.6%</b>
<b>EBITDA Margin (%)</b>	<b>13.37%</b>	<b>9.59%</b>	<b>378 Bps</b>
Depreciation	420	270	(55.6)%
Finance Cost	1,148	919	(24.9)%
Share of net profits of JV's accounted using equity method	(10)	(1)	NA
Exceptional Items	-	-	NA
<b>PBT</b>	<b>3,584</b>	<b>3,393</b>	<b>5.6%</b>
<b>PBT Margin (%)</b>	<b>9.28%</b>	<b>7.10%</b>	<b>218 Bps</b>
Tax	1,211	1,070	13.1%
<b>Profit after Tax</b>	<b>2,373</b>	<b>2,323</b>	<b>2.2%</b>
<b>PAT Margin (%)</b>	<b>6.15%</b>	<b>4.86%</b>	<b>129 Bps</b>
Other Comprehensive Income	10	45	(77.8)%
<b>Total Comprehensive Income</b>	<b>2,383</b>	<b>2,368</b>	<b>0.6%</b>
EPS (Diluted INR)	1.76	1.75	0.6%

# FY20 Consolidated Balance Sheet



Equities & Liabilities (INR Mn)	FY19	FY20	Assets (INR Mn)	FY19	FY20
(A) Share Capital	1,274	1,284	(A) Property plant & Equipment	2,022	4369
(B) Other Equity	13,143	15,401	(B) Capital Work in Progress	640	151
Non Controlling Interest	-100	-	(C) Right-of-use-Assets		201
<b>Total -Shareholder Funds</b>	<b>14,317</b>	<b>16,685</b>	(D) Goodwill	259	262
			(E) Other Intangible Assets	103	208
<b>Non Current Liabilities</b>			(F) Intangible Assets under development	215	187
(A) Financial Liabilities			(G) Investment in Associates/ JV	55	
(i) Borrowings	1,344	2,010	(H) Financial Assets		
(ii) Lease Liabilities		169	(i) Investment	517	557
(iii) Financial guarantee Obligations	22	0	(ii) Trade receivables	905	1199
(B) Provisions	248	319	(iii) Others	362	380
<b>Total - Non – Current Liabilities</b>	<b>1,614</b>	<b>2,498</b>	(I) Deferred Tax (Net)	799	122
			(J) Other Non Current Assets	405	43
<b>Current Liabilities</b>			<b>Total - Non – Current Assets</b>	<b>6,282</b>	<b>7,679</b>
Financial Liabilities			<b>Current Assets</b>		
(i) Borrowings	4,187	4,676	(A) Inventories	2,645	3,437
(ii) Lease Liabilities		50	(B) Financial Assets		
(iii) Trade Payables	8,645	8,152	(i) Investment	24	25
(iv) Other Financial Liabilities	2,398	5,271	(ii) Trade Receivables	14,724	16,098
(B) Current Tax Liabilities	-		(iii) Cash & Cash Equivalents	175	164
(C) Other Current Liabilities	1,212	519	(iv) Bank balances other than above	1,418	1,754
(D) Contract Liabilities	495	332	(v) Loans	140	150
(E) Provisions	74	107	(vi) Others-Advances	5,280	5,575
<b>Total – Current Liabilities</b>	<b>17,011</b>	<b>19,107</b>	(C) Current Tax Assets (Net)	595	975
			(D) Contract Assets	33	182
<b>GRAND TOTAL - EQUITIES &amp; LIABILITES</b>	<b>32,942</b>	<b>38,290</b>	(E) Other Current Assets	1,626	2,251
			<b>Total – Current Assets</b>	<b>26,660</b>	<b>30,611</b>
			<b>GRAND TOTAL – ASSETS</b>	<b>32,942</b>	<b>38,290</b>

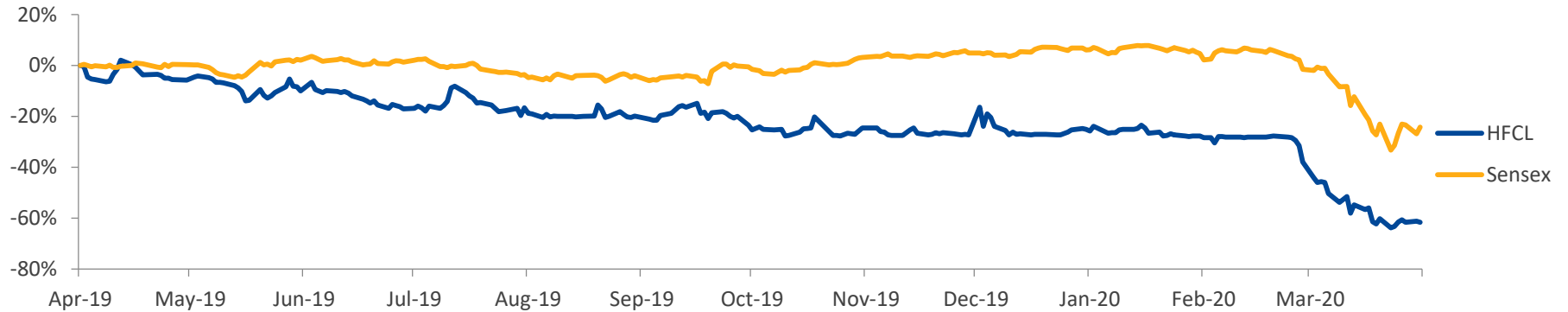
# Returning to the Society

## All Encompassing CSR Programme reaching to the ultimate beneficiaries

- Five Mobile Medical Clinics in different states benefitting 500 individuals of underprivileged community everyday
- Equipped HFCL Medi Dialysis centre in Delhi
- Smart Class Education benefitting 10,000 underprivileged children
- Scholarships in various schools and colleges including IIT – Madras for meritorious students
- Constructed Old Age Homes and providing them with the needed medical facilities
- Contribute to various other aspects for the welfare of the underprivileged with grants, sponsorships, disaster management contributions, food distribution etc.
- Work with reputed partners to deliver the service for the ultimate beneficiaries



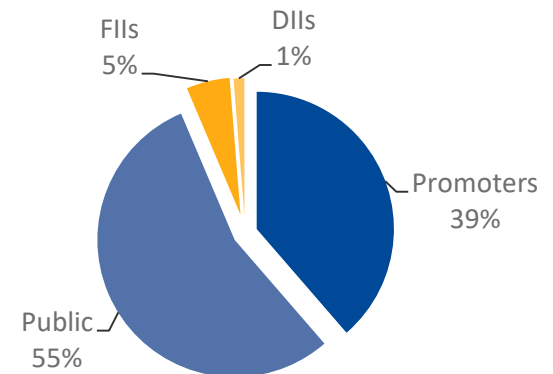
# Capital Market Information



## Price Data (As On 31<sup>st</sup> March, 2020)

Face value (INR)	1.0
Market Price (INR)	9.02
52 Week H/L (INR)	24.4/8.15
Market Cap (INR Mn)	11,585.08
Equity Shares Outstanding (Mn)	1,284.4
1 Year Avg. Daily trading volume ('000)	2,450.98

## Shareholding - (As on 31<sup>st</sup> March, 2020)





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