



## Press Release

### HFCL Limited

**March 31, 2025**

#### Ratings

<b>Instrument / Facility</b>	<b>Amount (Rs. crore)</b>	<b>Current Ratings</b>	<b>Previous Ratings</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
Long Term Instruments/ Facilities	451.62	IVR A/ Stable & withdrawn (IVR Single A with Stable outlook & withdrawn)	IVR A/ Stable (IVR Single A with Stable outlook)	Rating reaffirmed & withdrawn	Simple
Short Term Instruments/ Facilities	1841.63	IVR A1 & Withdrawn (IVR Single A One & withdrawn)	IVR A1 (IVR Single A One)	Rating reaffirmed & withdrawn	Simple
<b>Total</b>	<b>2,293.25</b>	<b>(Rupees Two Thousand Two Hundred Ninety-Three crores and twenty-five lakhs only)</b>			

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

Infomerics Ratings reaffirmed its rating assigned to the Bank facilities of HFCL and simultaneously withdrawn the ratings with immediate effect. The above action has been taken at the request of HFCL and 'No Objection Certificate' received from the lenders. The rating is withdrawn in accordance with Infomerics Ratings 'Policy on Withdrawal of Ratings'.

The rating reaffirmation to the bank facilities of HFCL Limited factors in overall stable operating profile over FY24 and 9MFY25 which is expected to remain stable over a medium term owing to healthy order book position and the company is in the process of shift to high margin product segment. The ratings continue to derive strength from established track record of the group & experienced promoters, healthy order book position, comfortable financial risk profile with healthy debt coverage indicators and strong demand potential for telecom products, optic fibre cables industry. However, these rating strengths remain constrained by working capital intensive operations, customer concentration risk and exposure to intense competition.

The stable outlook reflects ability to maintain stable revenue growth and profitability on the back of strong order book.

#### Key Rating Sensitivities:



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### Upward Factors

- Significant and sustainable improvement in operating performance and profitability margin.
- Improvement in operating cycle with improvement in the average collection period on a sustained basis

### Downward Factors

- Further deterioration in operating cycle either by further increase in inventory holding period or collection period.
- Substantial decline in profitability impacting debt protection matrix and liquidity

### List of Key Rating Drivers with Detailed Description

#### **Comfortable financial risk profile with healthy debt coverage indicators:**

The financial risk profile of the company has improved on account of the accretion of profits and infusion of funds through QIP. The overall gearing of the company stood healthy at 0.28x as on March 31, 2024 (FY23: 0.32x). The TOL/ATNW improved to 0.70x as on March 31, 2024 (FY23: 0.79x). Further coverage indicators like interest coverage & DSCR remain comfortable during FY24 (period refers to 01<sup>st</sup> April 2023 to 31<sup>st</sup> March 2024). The interest coverage stood at 4.03x in FY24 (FY23: 4.230 and DSCR stood at 2.98x in FY24 (FY23: 2.97x).

#### **Strong Order book position with reputed clientele**

HFCL has a strong order book position with the company having consolidated orders to the tune of Rs. 10,000 crore as on February 28, 2025. The order book of HFCL is diversified across public and private as well as various product segments. The total order book broadly consists of 73% execution contracts (manufactured goods) and balance are O&M contracts.

#### **Established Track Record of Group and Experienced Promoters**

HFCL, incorporated in 1987 by Mr. Mahendra Nahata, a businessman based out of Kolkata, has exponentially increased in size over decades. It started with the manufacturing of telecom equipment and gradually diversified into manufacturing of optic fibre cables and providing turnkey services. Its services majorly encompass feasibility studies, selection of media, survey, design, planning & engineering of telecom networks, supply & laying of optical fibre cables, installation & commissioning of transmission equipment and subscriber access



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networks, installation of towers, DGs & power plants and operation and maintenance of the telecom network.

### **Strong demand potential for telecom products, optic fibre cables industry**

The growth that the Indian telecom industry has scripted in these 25 years is phenomenal. The second-largest telecommunication market, India is also one of the fastest-growing economies globally. The industry enjoys a powerful set of enablers for sustained growth. These include 1.3 billion plus population, growing internet community, increasing per capita income, exploding smartphone user base and device ecosystem, low broadband user base, hyper affordable data cost, aggressively growing per capita data consumption and more importantly vast untapped rural market, among others.

### **Key Rating Weaknesses**

#### **Working capital intensive operations:**

The average collection period has generally been on the higher side and increased significantly in FY24 to 213 days from 191 days in FY23 due to increase in government contracts involving procedural delays. The debtors' related issues are due to execution and achievement of milestones also got impacted / delayed on account of pandemic and lockdown conditions. However, the company is able to negotiate favourable terms with suppliers, there's back-to-back arrangement with vendors. Therefore, any major change in payment from customers also results in similar change in payment to be made to suppliers.

#### **Customer concentration risk**

Sales from top 5 customer for the turnkey contract & segment has been constantly decreasing from 53.6% in FY21 to 39.2% in FY23, hence decreasing concentration risk. The clientele are generally top corporate houses or public sector companies & are highly rated which provide some degree of mitigants to lack of diversification in the portfolio.

#### **Exposure to intense competition**

HFCL faces intense competition in its business segment on account of higher installed capacity. Further, the demand in cable business is majorly dependent on the operational/capital expenditure from telecom and power distribution companies. Any delay or deferral of such expenditure would impact revenue visibility of companies catering to this



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business. Also, EPC business continues to face stiff competition due to presence of many players. Any delay or deferral of such expenditure would impact revenue visibility and profitability of companies like HFCL.

### **Analytical Approach:** Consolidated

*While arriving at the ratings, Infomerics has considered the Consolidated financials of HFCL Limited & its subsidiaries viz. HTL Limited, Polixel Security Systems Private Limited, Moneta Finance (P) Limited, HFCL Advance Systems (P) Limited, Dragon Wave HFCL India Private Limited (subsidiary with effect from 17.12.2019) and Raddef Private Limited (subsidiary with effect from 15.05.2019). Infomerics has taken consolidation view on account of common promoters, Operations and financial linkages between parent and subsidiary companies.*

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and post default curing period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on Withdrawal of Ratings](#)

[Consolidation of companies](#)

### **Liquidity –Adequate**

The liquidity position of HFCL remained adequate as reflected in the current ratio and quick ratio as on the last three account closing dates. Further HFCL had cash & bank balance of Rs.20.86 crore as on March 31, 2024. The company has healthy gross healthy accrual (GCA) of Rs.466 crore in FY24. Current ratio stood at 2.31x.

### **About the Company**



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HFCL Limited (formerly known as Himachal Futuristic Communications Limited), established in 1987 is engaged in the business of manufacturing of Optical Fiber (OF), Optical Fiber Cables (OFC), Cable Accessories and High - End Telecom Transmission and Access Equipment and specializes in providing turnkey solution to telecom service providers, railways, defense, smart city & surveillance projects.

### Financials (Consolidated):

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	4767.75	4477.21
EBITDA	643.12	593.70
PAT	317.72	337.52
Total Debt	936.97	986.34
Tangible Net Worth	2969.24	3540.65
EBITDA Margin (%)	13.49	13.26
PAT Margin (%)	6.63	7.39
Overall Gearing Ratio (x)	0.32	0.28
Interest Coverage (x)	4.23	4.03

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA: None**

**Any other information: NIL**



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### Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 24-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 23.-24	Date(s) & Rating(s) assigned in 22-23	Date(s) & Rating(s) assigned in 21-22
					Feb 06, 2024	Nov 23, 2022	Sept 29, 2021
1.	Term Loans	Long term	46.62	IVR A/ Stable & withdrawn	IVR A/ Stable	IVR A/ Stable	IVR A/ Stable
2.	Cash Credit	Long term	405.00	IVR A/ Stable & withdrawn	IVR A/ Stable	IVR A/ Stable	IVR A/ Stable
3.	LC/ BG	Short Term	1,841.63	IVR A1 & Withdrawn	IVR A1	IVR A1	IVR A1

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### About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).





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### Annexure 1: Instrument/Facility Details

Name of Facility/Security	ISIN	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/Outlook
Term Loan	--	--	--	FY 2027	46.62	IVR A/ Stable & withdrawn
Cash Credit	--	--	--	--	405.00	IVR A/ Stable & withdrawn
LC/ BG	--	--	--	--	1,841.63	IVR A1 & withdrawn

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-HFCL-mar25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

### Annexure 4: List of companies considered for consolidated/Combined analysis:

Name of the Subsidiary Company	Consolidation Approach
HTL Limited	Consolidation
Polixel Security Systems Pvt. Ltd.	Consolidation
Moneta Finance (P) Ltd.	Consolidation
HFCL Advance Systems (P) Ltd.	Consolidation
Raddef Pvt. Ltd.	Consolidation
Dragon Wave HFCL India Pvt. Ltd.	Consolidation
HFCL Technologies Pvt. Ltd. (Wholly owned Subsidiary w.e.f. June 26, 2021)	Consolidation



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HFCL Inc. (Wholly owned Subsidiary w.e.f. October 8, 2021)	Consolidation
HFCL B.V. (Wholly owned Subsidiary w.e.f. October 7, 2021)	Consolidation
Nimpaa Telecommunications Pvt. Ltd.	Consolidation
BigCat Wireless Pvt. Ltd.	Consolidation

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

