

## Himachal Futuristic Communications Limited

COMPANY SNAPSHOT					
CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs21	Rs25	Rs35	66%	BUY	Rs26.9

### About the Company:

Himachal Futuristic Communications Limited (HFCL) is a diverse telecom infrastructure enabler and delivers innovative, customized and competitively priced end-to-end telecom solutions. It specializes in manufacture of Telecommunication Equipments, Optical Fiber Cables (OFC) and Intelligent Power Systems. HFCL provides single window solution for telecom projects; offering design, equipment supply, installation, operation and maintenance services. It has plants located at Solan (Himachal Pradesh) and Salcete (Goa) whereas the turnkey contracts and services has pan India presence. The company is chaired by Mr. Mahendra Pratap Shukla and Mr. Mahendra Nahata as the promoter and Managing Director.

### Results Declared:

- The net sales for the quarter grew by 16.1% to Rs10947mn as compared to Rs9428mn in the same quarter last year
- The EBITDA margins for the quarter under review stood at 5.9%. This was majorly impacted by the overall increases in expenses namely the employee cost as well as other expenses and raw material costs.
- The net profit reported a drop of 12.4% to Rs514.9mn as against Rs587.5mn in the comparative quarter. There has been an increase in the taxes for the quarter as well as interest.
- The EPS stands at Rs0.4
- For the full year, the company has clocked revenue growth of 42% and ended the year with net profit growth of 19%.

### Other Highlights:

- The company has recommended dividend of Rs0.1/- per share of FV=1 for FY19, subject to approval
- The company has acquired controlling stake of 90% in RADDEF PRIVATE LIMITED, an innovation focused company specializing in Radio frequency and Microwave Systems for a consideration of Rs90,000/-The company will further make investments of Rs20cr by way of equity contribution in near future. This acquisition would result in benefit of operational synergies and the company will be able to explore untapped growth in the telecom and defense business verticals of the company.
- The subsidiary of the company HTL Ltd has expanded the OFC manufacturing capacity to 4m fkm to 7m fkm during FY19. This will be further raised to 10.5m fkm. The consolidated capacity will consequently reach 18.5m fkm at Goa plant of the company. This capacity should be sufficient for the current demand of OFC.
- With the softening of demand, the company has put its greenfield OFC manufacturing project at Telangana on hold.
- The backward integration for manufacturing of 6.4m fkm is progressing well and commercial production to start a s per schedule.

### Financials:

Result Update (Q4&FY2019)								
Q4&FY19 Result (Rs mn)	Mar-19	Mar-18	y-o-y	Dec-18	q-o-q	FY19	FY18	y-o-y
Total Revenue	10947	9428	16.1%	11056	(1.0%)	43662	30802	41.8%
EBITDA	651	755	(13.7%)	1040	(37.4%)	3382	2643	28.0%
Other Income	425	115	-	28	-	480	183	161.8%
Interest	186	122	52.3%	267	(30.6%)	779	609	28.0%
Depreciation	48	42	14.0%	48	0.2%	175	163	7.7%
Exceptional Items	-	(18)	-	-	-	-	(18)	-
Tax	328	101	225.4%	268	22.1%	1067	486	119.5%
Net Profit	515	588	(12.4%)	484	6.3%	1840	1550	18.7%

### Outlook and Recommendations:

The overall results have been lower than our expectations. This was due to the overall increase in expenses of the company. The expansions been undertaken are on track and should provide better capacities going forward. There has been an indication of softening of demand for OFC by the company which should be a cautionary alert taken into consideration. However, we maintain our target to Rs35 and recommend to add on declines.

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