

Execution remains strong, and Capex remains on track.

CMP: INR 116

Rating: BUY

Target Price: INR 227

Stock Info

BSE	500183
NSE	HFCL
Bloomberg	HFCD:LI
Reuters	HFCL.NS
Sector	Cables
Face Value (INR)	1
Equity Capital (INR cr)	144
Mkt Cap (INR cr)	17,751
52w H/L (INR)	105 / 59.8
Avg Yearly Volume (in 000')	19,994

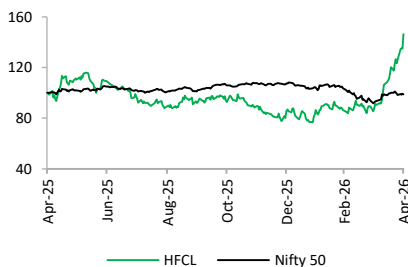
Shareholding Pattern %

(As on Mar, 2026)

Promoters	28.29
DII	8.57
FII	7.08
Public & Others	56.04

Stock Performance (%)	3m	6m	12m
HFCL	69.4	82.7	46.2
NIFTY	-4.7	-7.5	-1.4

HFCL vs Nifty



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HFCL Ltd reported strong numbers, Q4FY26 revenue stood at INR 1,824cr (+127.8% YoY/+50.7% QoQ); above our estimates of INR 1,371cr, supported by telecom products. EBITDA stood at INR 315cr (+36.8% QoQ) in Q4FY26; above our estimates of INR 249cr. EBITDA margin stood at 17.3% vs -4.5% in Q4FY25, due to better product mix and higher realization, etc. PAT stood at INR 184cr (+80.6% QoQ) in Q4FY26 vs INR -83cr in Q4FY25, above our estimates of INR 132cr. PAT margin stood at 10.1% (+168 bps QoQ) in Q4FY26 vs -10.4% in Q4FY25

Key Highlights

Margin Accretion from a Premium Product Mix and Strategic Verticals: The company is structurally shifting away from low-margin EPC and government-dependent contracts toward a high-value, export-oriented product portfolio. Product-led revenue from (27% (FY21) to ~59% in FY26, while exports surged to 41% share, delivering tangible margin expansion driven by multiple levers. The global hyperscaler boom is fueling unprecedented demand for high-fiber-count, low-latency optical fiber cables. Realizations improving over 15-20% and a landmark USD 1.1bn contract already secured. The defence segment, including the newly acquired aerospace business, is expected to deliver 20-25% EBITDA margins, with an immediate export order book of INR 1,930cr. The loss-making EPC army warranty contract is set to be replaced by a profitable INR 170cr annual maintenance contract, removing a significant drag. Overall, Margin expansion of 3%-4% expected in FY27E and 15%-20% cost saving from preform backward integration going forward.

Strong order book with secular visibility across segments: The order book stood at INR 21,200cr (~4.3x of FY26 revenue) shows business visibility over the medium term. The company is well-positioned to capture data center, AI, and cloud expansion (100-150mn f.km demand) from the US, Europe, and Asia. In defence, the company is moving beyond land systems into high-entry barrier aerospace via acquisition. The company is also establishing a 1,000-acre ammunition facility in Andhra Pradesh to produce DRDO-licensed hand grenades, electronic fuses, and 155mm shells. In EPC, Bharat Net projects are profitable and continues execution.

Execution backed by clear capacity and capital plans: The company is expanding capacity both OF (28mn f.km to 34mn) and OFC (34mn f.km to 42.4mn) by Dec-26 to support future growth. The capex is expected to be INR 600cr in FY27E and INR 350cr in FY28E to expand fiber, cable, and defence capacities. Promoters are infusing INR 555cr via preferential warrants, reflecting strong internal confidence, while the remaining funding will come from a balanced mix of internal accruals and debt. The preform backward integration (INR 580cr capex) is on track for two-year completion, ensuring raw material security and cost savings. A strategic restructuring committee is actively evaluating business realignment to attract specialized partners and unlock further value.

Outlook & Valuation: HFCL order book stood at INR 21,206cr (~4.3x of FY26 revenue), providing multi-year visibility. Revenue is expected to grow 20%-25% YoY, with margin expansion of 3%-4% in FY27E driven by commercial realization of strategic initiatives. The data center interconnect solutions business is expected to be INR 400cr (FY27E) and INR 800cr in FY28E, supported by hyperscaler and AI demand. The defence segment is bolstered by the acquisition of an aerospace business (Defsys) with a confirmed export order book of INR 1,930cr. The company's defence order book will expand to ~INR 2,230cr post acquisition, providing strong visibility. Defence business is expected to be 10%-12% of revenue share with 20%-25% margins by FY27E. The loss-making EPC business is set to return to profitability from Q2FY27E, as an annual maintenance contract with the army materializes. The capacity expansion of OFC (+25% addition) and OF (+21.4% addition) by Dec-26 will support future growth. The establishment of a 1,000-acre ammunition facility in Andhra Pradesh, with its foundation to be laid in May 2026. The facility will enable production of DRDO-licensed multi-mode hand grenades, electronic fuses, and 155mm artillery shells, opening a large and recurring revenue stream. The Defence and Aerospace business is an inflection stage and provides strong visibility with diversification going forward. We estimate Revenue/EBITDA/PAT CAGR of 25.1%/38.4%/54.3% CAGR over the period of FY26-29E. RoCE/RoE is expected to improve from 7.8%/7.3% (FY26) to 14.8%/16.3% in FY29E, respectively. At the CMP of INR 116 per share, we maintain our "BUY" rating at a TP of INR 227 per share based on SOTP; an upside of 96.1%.

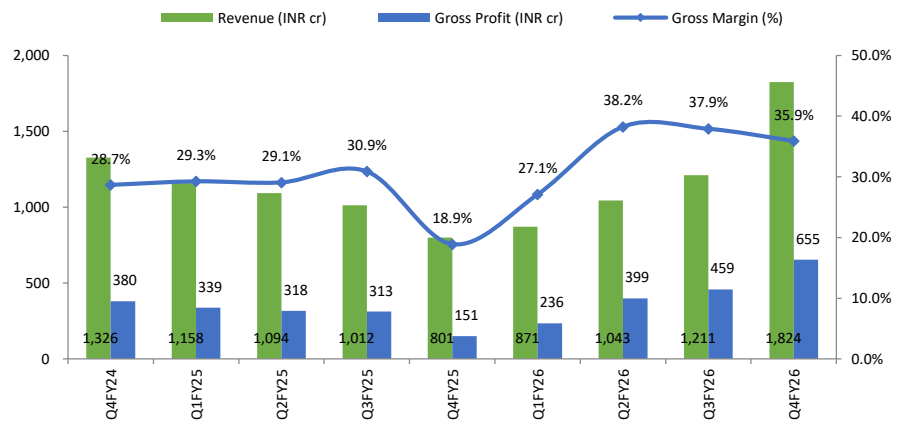
Q4FY26 Results

Exhibit 1: Income statement summary

Particular (INR cr)	Q4FY25	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Revenue	801	1,211	1,824	127.8%	50.7%
Net Raw Materials	649	752	1,169	80.0%	55.5%
Gross profit	151	459	655	333.2%	42.7%
Gross margin (%)	18.9%	37.9%	35.9%	+1703 bps	-199 bps
Employee Cost	91	108	137	51.2%	27.0%
Other Expenses	96	121	203	110.9%	68.2%
EBITDA	(36)	230	315		36.8%
EBITDA Margin (%)	-4.5%	19.0%	17.3%		-175 bps
Depreciation	30	44	45		
Interest expense	51	63	63		
Other income	13.6	15.4	22.3		
Share of profits associate & JV	(1)	(1)	(1)		
Profit before tax	(105)	138	228		
Taxes	(22)	36	44		
PAT	(83)	102	184		80.6%
PAT Margin (%)	-10.4%	8.4%	10.1%		+168 bps
EPS (INR)	(0.6)	0.7	1.2		

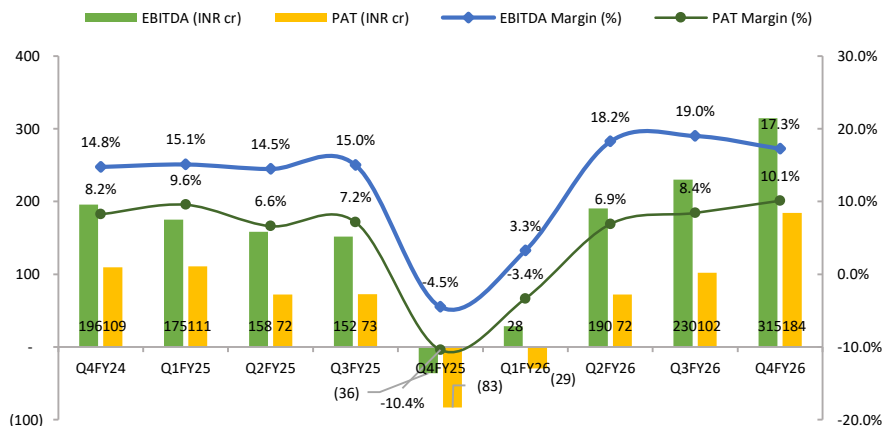
Source: Company Reports, Aриhant Capital Research

Exhibit 2: Gross margins improved by 1703 bps YoY (down by 199 bps QoQ) to 35.9% Q4FY26 due to lower RM costs.



Source: Company Reports, Aриhant Capital Research

Exhibit 3: EBITDA margin stood at 17.3% (-175 bps QoQ) in Q4Y26 vs -4.5% in Q4FY25, due to higher gross margin impact and cost optimization.



Source: Company Reports, Aриhant Capital Research

Quarterly Segments

Exhibit 4: Revenue growth supported by volume growth, along with an increase in prices of OFC. The high-count cables have higher realizations and margins. The spot market OFC realization is higher, also supporting margin improvement. Cost optimization also helped improve margin levels.

Particular (INR cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Revenue	1,326	1,158	1,094	1,012	801	871	1,043	1,211	1,824	127.8%	50.7%
Net Raw Materials	946	819	776	699	649	635	644	752	1,169	80.0%	55.5%
Gross profit	380	339	318	313	151	236	399	459	655	333.2%	42.7%
Gross margin (%)	28.7%	29.3%	29.1%	30.9%	18.9%	27.1%	38.2%	37.9%	35.9%	+1703 bps	-199 bps
Employee Cost	88	89	89	94	91	105	94	108	137	51.2%	27.0%
Other Expenses	97	75	70	66	96	102	115	121	203	110.9%	68.2%
EBITDA	196	175	158	152	(36)	28	190	230	315	-	36.8%
EBITDA Margin (%)	14.8%	15.1%	14.5%	15.0%	-4.5%	3.3%	18.2%	19.0%	17.3%	-	-175 bps
Depreciation	20	24	25	26	30	32	36	44	45		
Interest expense	40	42	45	47	51	56	61	63	63		
Other income	13.6	10.5	13.6	20.0	13.6	14.5	13.0	15.4	22.3		
Share of profits associate & JV	(0)	(0)	(0)	1	(1)	0	(0)	(1)	(1)		
Profit before tax	149	119	101	100	(105)	(45)	106	138	228		
Taxes	40	8	29	28	(22)	(15)	34	36	44		
PAT	109	111	72	73	(83)	(29)	72	102	184	-	80.6%
PAT Margin (%)	8.2%	9.6%	6.6%	7.2%	-10.4%	-3.4%	6.9%	8.4%	10.1%	-	+168 bps
EPS (INR)	0.8	0.8	0.5	0.5	(0.6)	(0.2)	0.5	0.7	1.2		

Source: Company Reports, Aриhant Capital Research

Exhibit 5: Revenue growth supported by Telecom products (+104.8% YoY/+74.5%), supported by volumes and an increase in OFC realization (15%-20% QoQ) in Q4FY26. Telecom Products' margin stood at 31.8% in Q4FY26 and is expected to sustain going forward. EPC is expected to be profitable from Q2FY27E onwards.

Segmental Revenue (INR cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Telecom Products	362	711	508	582	589	578	537	691	1,206	104.8%	74.5%
Turnkey Contracts and Services	964	446	586	430	189	293	507	488	587	209.9%	20.3%
Defence Products and Services	-	-	-	-	12	-	-	11	12		
Others	-	1	-	-	11	-	-	21	18	74.3%	-11.7%
Revenue from operations	1,326	1,158	1,094	1,012	801	871	1,043	1,211	1,824	127.8%	50.7%

Segmental Revenue mix (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Telecom Products	27.3%	61.4%	46.5%	57.6%	73.5%	66.3%	51.4%	57.1%	66.1%		
Turnkey Contracts and Services	72.7%	38.5%	53.5%	42.4%	23.7%	33.7%	48.6%	40.3%	32.2%		
Defence Products and Services	0.0%	0.0%	0.0%	0.0%	1.5%	0.0%	0.0%	0.9%	0.7%		
Others	0.0%	0.0%	0.0%	0.0%	1.3%	0.0%	0.0%	1.7%	1.0%		
Revenue from operations	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		

Segmental EBIT (INR cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Telecom Products	18	48	42	38	5	57	127	203	383	8373.5%	89.0%
Turnkey Contracts and Services	173	107	98	104	(56)	(54)	36	(11)	(84)		
Defence Products and Services	-	-	-	-	(0)	-	-	(1)	(6)		
Others	0	2	1	(1)	(0)	(0)	(1)	1	(2)		
Total EBIT	191	157	142	141	(52)	3	162	191	291	-	52.2%

Segmental EBIT Margin (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Telecom Products	4.9%	6.7%	8.3%	6.5%	0.8%	9.9%	23.7%	29.3%	31.8%		
Turnkey Contracts and Services	18.0%	23.9%	16.8%	24.3%	-29.8%	-18.3%	7.1%	-2.3%	-14.3%		
Defence Products and Services					-1.3%			-6.6%	-47.5%		
Blended EBIT	14.4%	13.5%	13.0%	14.0%	-6.5%	0.4%	15.5%	15.8%	16.0%		

Source: Company Reports, Aриhant Capital Research

Order book

Exhibit 6: The order book grew 112.8% YoY (+90.6% QoQ) to INR 21,206cr as of Q4FY26. The company received a \$1bn (INR 10,159cr) order from a hyperscaler customer. Products and private witnessed strong order inflows and are expected to drive revenue growth over the medium term.

Order book (INR cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Network Services	4,758	3,092	2,884	4,196	4,064	4,064	3,964	3,441	3,035	3,112	-23.4%	2.5%
O&M	2,037	2,011	2,010	3,689	3,675	3,675	3,625	3,565	3,522	3,508	-4.5%	-0.4%
Products	890	1,673	1,257	2,525	2,227	2,227	2,891	2,975	4,568	14,586	555.0%	219.3%
Total order book	7,685	6,776	6,151	10,410	9,966	9,966	10,480	9,981	11,125	21,206	112.8%	90.6%

Order book (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Network Services	61.9%	45.6%	46.9%	40.3%	40.8%	40.8%	37.8%	34.5%	27.3%	14.7%		
O&M	26.5%	29.7%	32.7%	35.4%	36.9%	36.9%	34.6%	35.7%	31.7%	16.5%		
Products	11.6%	24.7%	20.4%	24.3%	22.3%	22.3%	27.6%	29.8%	41.1%	68.8%		
Total order book	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		

Order book (INR cr)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Government	5,630	4,706	4,183	8,527	8,414	8,414	8,546	8,179	7,743	7,843	-6.8%	1.3%
Private	2,055	2,070	1,968	1,883	1,552	1,552	1,934	1,802	3,382	13,363	761.0%	295.1%
Total order book	7,685	6,776	6,151	10,410	9,966	9,966	10,480	9,981	11,125	21,206	112.8%	90.6%

Order book (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26	YoY (%)	QoQ (%)
Government	73.3%	69.5%	68.0%	81.9%	84.4%	84.4%	81.5%	81.9%	69.6%	37.0%		
Private	26.7%	30.5%	32.0%	18.1%	15.6%	15.6%	18.5%	18.1%	30.4%	63.0%		
Total order book	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		

Source: Company Reports, Arianth Capital Research

Exhibit 7: Segment/Product-wise highlights

Segment / Product	Key Highlights
Optical Fiber Cables (OFC)	Strong demand from hyperscale data centers, AI workloads, cloud. High-fiber-count cables (up to 6,912 fibers) developed in-house. Realizations improved >15-20% in Q4FY26. Capacity expanding to from 34mn f.km to 42.4mn f.km by Dec-26. Utilization at 100%, targeting 110%.
Optical Fiber	Capacity expanding from 28mn fkm to 34mn fkm by Dec-26. Backward integration into preform (300 tons/year, scalable to 500 tons) with a capex of INR 580cr to reduce costs by 15-20% going forward. The backward integration is expected to be operational in 2 years.
Data Center Interconnect Solutions	Expected to contribute INR 400cr revenue in FY27E and INR 800cr in FY28E. Includes high-density, low-latency cables, MPO assemblies, passive connectivity solutions. Margins slightly higher than company average due to value-add and small-batch nature.
Telecom Products (5G, WiFi, Routers, UBR, Switches)	Demand currently stable post-5G rollout. Next major surge expected with 6G around 2029. Data center demand will compensate for slower telecom cycle in near term.
EPC & BharatNet	EPC was loss-making due to army network project under warranty period (no revenue, ongoing costs). Expected to turn profitable from Q2FY27E. AMC contract with army (~INR 170cr/year) to nullify losses. BharatNet execution profitable.
Defence	Products include thermal weapon sights (night vision devices), surveillance radars (multiple variants), high-capacity radio relay systems, wire harnesses for critical platforms. Order book ~INR 300cr. Margins expected 20-25%.
Defence & Aerospace (Defsys Acquisition)	Acquiring aerospace business with established certifications, long-standing customer relationships. Brings export-oriented order book of ~INR 1,930cr. High entry barriers, long approval cycles. Expands total defence order book to ~INR 2,230cr
Ammunition (Hand Grenades, Electronic Fuses, 155mm Shells)	DRDO technology transfer complete for Multi-mode hand grenade, trials and aging certification successful. Awaiting large tender (only 3 licensed manufacturers for Grenades). Electronic fuses upgrades are identified and being implemented; will be re-tested in a couple of months. 155mm artillery shells planned.
Defence Manufacturing Complex (Andhra Pradesh)	1,000 acres allotted. Foundation stone on May 15, 2026 with Defence Minister. Initial capex INR 125cr in FY27E, another INR 250cr over next two years. The facility will produce grenades, fuses, artillery shells. Its fully owned, no partnership.
Passive Connectivity Solutions & Wire Harness	Supplied for critical defence platforms. Part of defence product portfolio.
Products Under Development	Compact tactical communication systems, multi-mode grenade (completed), electronic fuses (upgrade in progress), BMP upgrade (sample submission by 26th June, 2026).
Raw Materials	Preform prices estimated \$140-150/kg. Helium & polymers ~20% of cable costs. Long-term contracts signed before price hikes may see 1-2% margin compression. Price increases expected to be passed through to customers. Currently long-term contracts in place.

Source: Company Reports, Arianth Capital Research

Q4FY26 Concall Highlights

Revenue

- The management guided 20%-25% revenue growth (INR 6,000cr-6,250cr) in FY27E. Long-term aspiration is INR 10,000cr in 4-5 years.

Margins

- EBITDA margin stood at 15% in FY26, and management guided 3% to 4% margin expansion in FY27E. The expansion supported by OFC realization, shift towards high-value products, and reduction of EPC & turnkey losses, etc.

Order book

- The order book stood at INR 21,200cr as of Q4FY26. The order book includes a landmark \$1.1bn (INR 10,159cr) long-term OFC supply contract from a hyperscaler.
- The export order book stood at INR 12,250cr (~58%).
- The order book breakup is INR 18,000cr (1-5 year execution) and O&M contracts INR 3,500cr (6-7 year execution).

Capex

- The capex is expected to be INR 600cr in FY27E, covering fiber, cable, defence, and preform integration, followed by INR 350cr in FY28E.

Capacity expansion and utilization

- OFC capacity expanding from 34mn f.km to 42.4mn f.km by Dec-26. OF capacity expanding from 28mn f.km to 34mn f.km by Dec-26.
- The current capacity is almost utilized (~100%) and targeting over utilization (~110%).
- The demand is driven by hyperscalers, AI, and cloud. It's adding 100-150mn f.km global incremental demand beyond telecom.

Realizations

- OFC realization increased (15%-20% QoQ) in Q4FY26, driven by product mix and density.
- Spot prices are more profitable than long-term fixed price contracts, so the company reserves capacity for spot orders.

Defence

- Standalone defence order book stood at INR 300cr, expanding to INR 2,230cr after acquisition of Defysis (aerospace).
- Aerospace acquisition brings established certifications, customer relationships, and INR 1,930cr export order book.
- Defence revenue expected at 10-12% of FY27E total revenue, with 20-25% EBITDA margins.
- The defence products include thermal weapon sights, surveillance radars, high-capacity radio relays, wire harnesses for critical platforms, and passive connectivity solutions.
- Multiple variants of surveillance radars have been indigenously commercialized. Thermal weapon sights (night vision devices) are already in production and supply.
- For the BMP upgrade, an upgraded sample is to be submitted for evaluation by 26th Jun, 2026.

Q4FY26 Concall Highlights

Ammunition

- 1,000 acres of land allotted to setup defence ammunition complex. The foundation stone is scheduled for 15th May 2026 with the Defence Minister. Initial capex expected INR 125cr in FY27E and another INR 250cr over the next 2 years.
- Multi-mode hand grenade technology transferred from DRDO; trials and aging certification completed.
- Electronic fuses tested; upgrades underway before re-testing in a couple of months.
- 155mm artillery shells are planned at the new Andhra Pradesh facility.

Backward integration and raw materials

- Preform backward integration capacity 300MT/annum, scalable to 500MT; (INR 580cr capex, 2-year timeline for operation) expected to reduce preform cost by 15-20% and ensure supply security.
- Germanium is a preform input, not directly purchased by HFCL. There are no supply issues from preform suppliers.
- Polymers and helium together form ~20% of cable costs. Price increases are generally passed through to customers.
- Preform prices estimated at \$140-150 per kg.

Telecom products

- Telecom product demand is currently stable post-5G rollout. Next major surge expected with 6G around 2029. Data center demand will compensate for the slow telecom cycle.
- Telecom products' margins remain strong at 31.8% in Q4FY26 and are expected to sustain.

Data center

- Low-latency cables for data centers. Interconnect solutions expected to add INR 400cr in FY27E and INR 800cr in FY28E.
- Hyperscalers (US, followed by Europe and Asia) are driving a multi-year growth cycle.
- The company's in-house R&D team designed and developed high-technology cables up to 6,912 fibers.

EPC & Bharat Net

- EPC losses due to the army network project under the warranty period, with no revenue. AMC contract expected soon (~INR 170cr annually) to nullify losses.
- Bharat Net execution profitable. Overall, EPC is expected to turn profitable from Q2FY27E.

Warrants

- Promoters infusing INR 555cr via preferential warrants for expansion, preform integration, defence scaling, and working capital.

Exports

- Exports revenue share stood at 41.4% in FY26 and is targeting 50%+ in FY27. Over 70% of cable production is now exported.

Other highlights

- Global demand for high-performance, low-latency cables is supply-constrained, benefiting realizations.
- Unbilled revenue around INR 600cr due to compliance pending.







Products and New Launches

Exhibit 8: Product Offerings

OF/OFC/PCS/DCS	TELECOM	DEFENCE
 Optic Fiber  Cable Assemblies	 5G Indoor & Outdoor FWA CPE  Ethernet L2 Switches	 Multi Mode Hand Grenade
 Micro Cable  FTTH Cable  Ribbon Cable	 IP/ MPLS Routers	 Thermal Weapon Sights  Drone Detection Radar  Foliage Penetration Radar
 HD & UHD Fiber patch panels  Fiber Pathway Systems (FPS)	 Home Mesh Routers  Indoor & Outdoor Wi-Fi 5, 6 and 7 Access Points	 Electronic Fuzes  High-capacity Radio Relay  Aerospace and Defence Cable Assemblies
<p>Optical Fiber & Optical Fiber Cable Emphasis on high-end, customized solutions enables stronger customer engagement and higher value realization amid a structural demand upcycle.</p>	<p>Passive Connectivity & Data Center Solutions Emerging as a high-growth adjacency to the OFC business, driven by exports and hyperscaler data centers</p>	<p>Defence - Emerging Growth Engine with Strong Visibility</p> <ul style="list-style-type: none"> • ₹2,230 Cr+ total Defence order book includes export order in Aerospace business being acquired • DRDO Technology Transfer (ToT) • Strong Own-IPR portfolio • Shift from L1 supplier to strategic partner

Source: Company reports, Arihant Capital Research

Exhibit 9: New Products and under development.

 Outdoor/ Indoor IBR Cable		 Hollow Core Optical Fiber
 HFCL Eka Fiber	 Maritime / Coastal Surveillance Radar	
 HFCL A2- 180 Fiber		 Aerospace Products through Proposed business being acquired

Source: Company reports, Arihant Capital Research

Outlook & Valuation: HFCL order book stood at INR 21,206cr (~4.3x of FY26 revenue), providing multi-year visibility. Revenue is expected to grow 20%-25% YoY, with margin expansion of 3%-4% in FY27E driven by commercial realization of strategic initiatives. The data center interconnect solutions business is expected to be INR 400cr (FY27E) and INR 800cr in FY28E, supported by hyperscaler and AI demand. The defence segment is bolstered by the acquisition of an aerospace business (Defsys) with a confirmed export order book of INR 1,930cr. The company's defence order book will expand to ~INR 2,230cr post acquisition, providing strong visibility. Defence business is expected to be 10%-12% of revenue share with 20%-25% margins by FY27E. The loss-making EPC business is set to return to profitability from Q2FY27E, as an annual maintenance contract with the army materializes. The capacity expansion of OFC (+25% addition) and OF (+21.4% addition) by Dec-26 will support future growth. The establishment of a 1,000-acre ammunition facility in Andhra Pradesh, with its foundation to be laid in May 2026. The facility will enable production of DRDO-licensed multi-mode hand grenades, electronic fuses, and 155mm artillery shells, opening a large and recurring revenue stream. The Defence and Aerospace business is an inflection stage and provides strong visibility with diversification going forward. We estimate Revenue/EBITDA/PAT CAGR of 25.1%/38.4%/54.3% CAGR over the period of FY26-29E. RoCE/RoE is expected to improve from 7.8%/7.3% (FY26) to 14.8%/16.3% in FY29E, respectively. At the CMP of INR 116 per share, we maintain our "BUY" rating at a TP of INR 227 per share based on SOTP; an upside of 96.1%.

Exhibit 10: HFCL FY29E based implied valuation

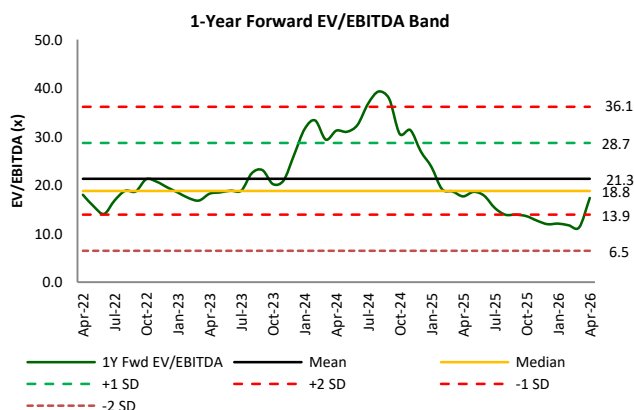
Particular	Telecom Products	Turnkey Contracts and Services	Defence	Overall
FY29E EBITDA (INR cr)	1,854	230	388	
EV/EBITDA (x)	15.0x	8.0x	25.0x	
EV (INR cr)	27,811	1,838	9,688	39,337
Net Debt/(cash) (INR cr) - FY29 end				1,003
Market Cap (INR cr)				38,334
Share outstanding (cr)				161
Target Price (INR)				239
*Less: Defsys Minority Interest @49% (INR/share)				11
Target Price (INR)				227
CMP (INR)				116
Upside (%)				96.1%
Rating				BUY

Source: Company reports, Aриhant Capital Research

EPC business valuations are available at 8-10x EV/EBITDA. HFCL specializes in EPC, which is related to OFC (BharatNet), and executes projects through an EPC partner. We assigned 8x EV/EBITDA to the Turnkey Contracts and Services business.

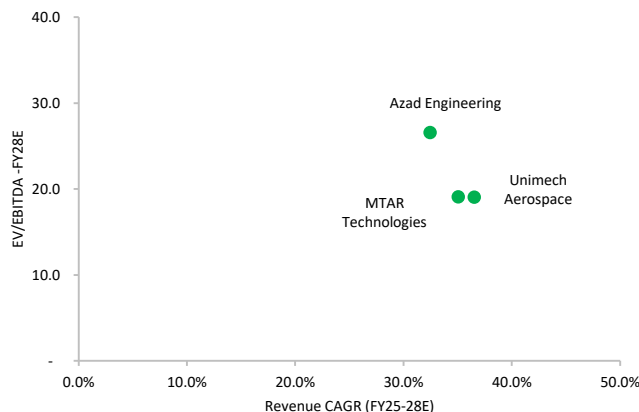
*We adjusted Spiral & Defsys minority interest (49%) impact. (Approx. estimation)

Exhibit 11: 1-year forward Mean & Median EV/EBITDA – 21.3x & 18.8x respectively. We assigned EV/EBITDA of 15x (close to Mean of Median & -1SD EV/EBITDA)



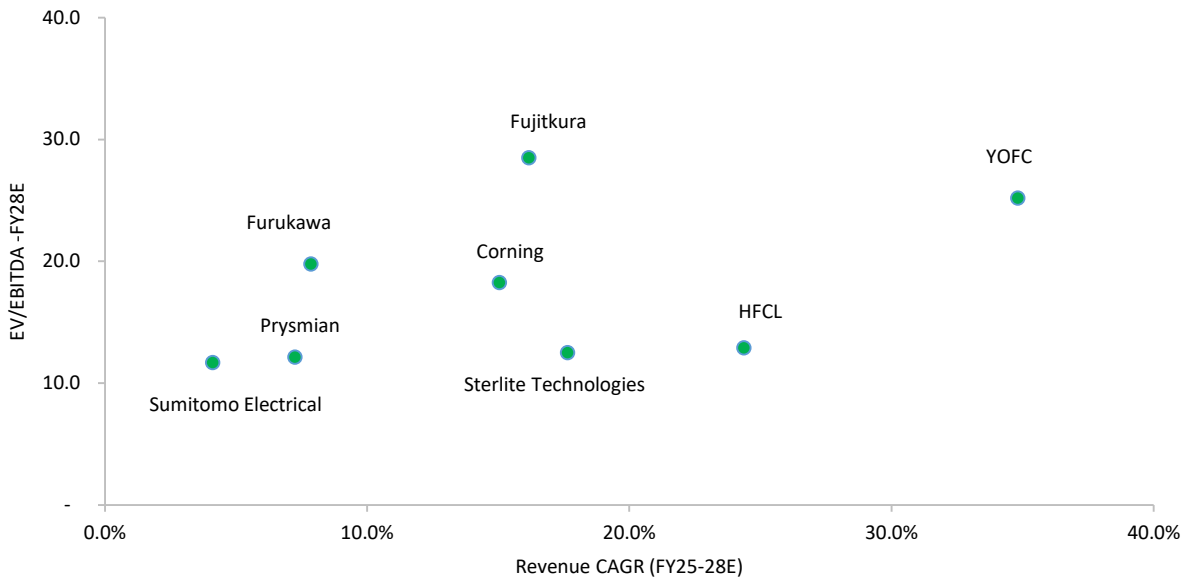
Source: Aриhant Capital Research

Exhibit 12: Defence players are available at 20-30x EV/EBITDA valuations. We anticipate that the HFCL Defence business will also align with industry valuations.



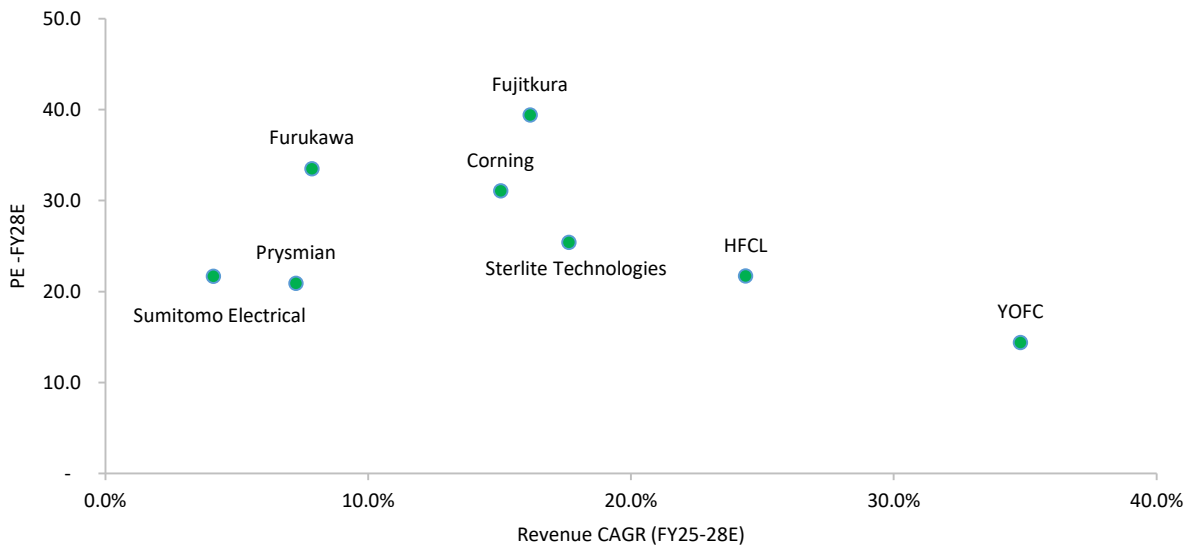
Source: Bloomberg, Aриhant Capital Research

Exhibit 13: HFCL is expected to grow better than peers and available at attractive valuation based on EV/EBITDA. The industry Median – 15.7x and Mean – 17.6x of FY28E EV/EBITDA. We assigned 15x EV/EBITDA to HFCL Telecom Products business.



Source: Bloomberg, Arianth Capital Research

Exhibit 14: HFCL is expected to grow better than peers and available at attractive valuation based on PE.



Source: Bloomberg, Arianth Capital Research

Sensitivity Analysis

Exhibit 15: Changes in Telecom Products and Defence multiple impact on TP

FY29E Target Price (INR)

		Telecom Products EV/EBITDA (x)								
		239	11.0x	13.0x	15.0x	17.0x	19.0x	21.0x	23.0x	25.0x
Defence EV/EBITDA (x)	20.0x	181	204	227	250	273	296	319	342	
	22.0x	185	208	232	255	278	301	324	347	
	24.0x	190	213	236	259	283	306	329	352	
	26.0x	195	218	241	264	287	311	334	357	
	28.0x	200	223	246	269	292	315	338	362	
	30.0x	205	228	251	274	297	320	343	366	
	32.0x	209	233	256	279	302	325	348	371	
	34.0x	214	237	261	284	307	330	353	376	

FY29E Target Price (INR)

		Telecom Products EV/EBITDA (x)								
		106%	11.0x	13.0x	15.0x	17.0x	19.0x	21.0x	23.0x	25.0x
Defence EV/EBITDA (x)	20.0x	56%	76%	95%	115%	135%	155%	175%	195%	
	22.0x	60%	80%	100%	120%	139%	159%	179%	199%	
	24.0x	64%	84%	104%	124%	144%	164%	183%	203%	
	26.0x	68%	88%	108%	128%	148%	168%	188%	208%	
	28.0x	72%	92%	112%	132%	152%	172%	192%	212%	
	30.0x	76%	96%	116%	136%	156%	176%	196%	216%	
	32.0x	81%	101%	120%	140%	160%	180%	200%	220%	
	34.0x	85%	105%	125%	145%	164%	184%	204%	224%	

Source: Company Reports, Aриhant Capital Research

Exhibit 16: Target Price range based on PE & EV/EBITDA.

FY29E Target Price (INR)

		PE (x)							
		239	20.0x	25.0x	30.0x	35.0x	40.0x	45.0x	50.0x
EPS (INR)	6.5	130	163	195	228	260	293	325	
	7.0	140	175	210	245	280	315	350	
	7.5	150	188	225	263	300	338	375	
	8.0	160	200	240	280	320	360	400	
	8.5	170	213	255	298	340	383	425	
	9.0	180	225	270	315	360	405	450	
	9.5	190	238	285	333	380	428	475	

FY29E Target Price (INR)

		EV/EBITDA (x)							
		239	11.0x	13.0x	15.0x	17.0x	19.0x	21.0x	23.0x
EBITDA (INR σ)	1,800	130	152	174	197	219	242	264	
	1,900	136	160	184	207	231	255	278	
	2,000	143	168	193	218	243	268	293	
	2,100	150	176	202	229	255	281	307	
	2,200	157	184	212	239	267	294	321	
	2,300	164	193	221	250	278	307	336	
	2,400	171	201	231	260	290	320	350	

Source: Company Reports, Aриhant Capital Research

Sensitivity Analysis

Exhibit 17: Every INR 100 change in OFC realization leads to 6%-10% delta in OFC revenue. HFCL has advanced products for data center and AI Infra, where realizations are higher. OFC realization increased 15%-20% QoQ in Q4FY26. The company is balancing long-term contracts (high volumes with moderated realization) and Spot contracts (lower volumes with higher realization).

OFC Revenue (INR cr) - FY29E

		Capacity Utilization (%)								
		5,342	65.0%	70.0%	75.0%	80.0%	85.0%	90.0%	95.0%	100.0%
OFC Realization (INR/f.km)	1,100	3,032	3,265	3,498	3,731	3,964	4,198	4,431	4,664	
	1,200	3,307	3,562	3,816	4,070	4,325	4,579	4,834	5,088	
	1,300	3,583	3,858	4,134	4,410	4,685	4,961	5,236	5,512	
	1,400	3,858	4,155	4,452	4,749	5,046	5,342	5,639	5,936	
	1,500	4,134	4,452	4,770	5,088	5,406	5,724	6,042	6,360	
	1,600	4,410	4,749	5,088	5,427	5,766	6,106	6,445	6,784	
	1,700	4,685	5,046	5,406	5,766	6,127	6,487	6,848	7,208	
	1,800	4,961	5,342	5,724	6,106	6,487	6,869	7,250	7,632	

OFC Revenue growth sensitivity based on realization (%) - FY29E

		OFC Capacity Utilization (%)							
		65.0%	70.0%	75.0%	80.0%	85.0%	90.0%	95.0%	100.0%
OFC Realization (INR / f.km)	1,200	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
	1,300	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%	8.3%
	1,400	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
	1,500	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
	1,600	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
	1,700	6.2%	6.2%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
	1,800	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%

Source: Bloomberg, Arianth Capital Research

Exhibit 18: Every INR 100 change in OFC realization leads to 3%-4% delta in Total revenue. The new contracts are getting renewed with better realization. The current capacity utilization is ~100% and focused on achieving 110%. The OFC (+25% addition) and OF (+21.4% addition) are expected to be operationalized by Dec-26, which would lead to moderated blended utilization in FY27E. The ramp-up is expected significantly from FY28E onwards. We assumed OFC capacity utilization of 75% in FY28E and 90% by FY29E, due to execution capability and demand. The company reserved some capacity for spot contracts, where realizations are higher.

Total Revenue (INR cr) - FY29E

		OFC Capacity Utilization (%)								
		9,699	65.0%	70.0%	75.0%	80.0%	85.0%	90.0%	95.0%	100.0%
OFC Realization (INR/f.km)	1,100	7,388	7,622	7,855	8,088	8,321	8,554	8,788	9,021	
	1,200	7,664	7,918	8,173	8,427	8,682	8,936	9,190	9,445	
	1,300	7,940	8,215	8,491	8,766	9,042	9,318	9,593	9,869	
	1,400	8,215	8,512	8,809	9,106	9,402	9,699	9,996	10,293	
	1,500	8,491	8,809	9,127	9,445	9,763	10,081	10,399	10,717	
	1,600	8,766	9,106	9,445	9,784	10,123	10,462	10,802	11,141	
	1,700	9,042	9,402	9,763	10,123	10,484	10,844	11,204	11,565	
	1,800	9,318	9,699	10,081	10,462	10,844	11,226	11,607	11,989	

Total Revenue growth sensitivity based on realization (%) - FY29E

		OFC Capacity Utilization (%)							
		65.0%	70.0%	75.0%	80.0%	85.0%	90.0%	95.0%	100.0%
OFC Realization (INR / f.km)	1,200	3.7%	3.9%	4.0%	4.2%	4.3%	4.5%	4.6%	4.7%
	1,300	3.6%	3.7%	3.9%	4.0%	4.2%	4.3%	4.4%	4.5%
	1,400	3.5%	3.6%	3.7%	3.9%	4.0%	4.1%	4.2%	4.3%
	1,500	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%	4.1%
	1,600	3.2%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%	4.0%
	1,700	3.1%	3.3%	3.4%	3.5%	3.6%	3.6%	3.7%	3.8%
	1,800	3.0%	3.2%	3.3%	3.4%	3.4%	3.5%	3.6%	3.7%

Source: Bloomberg, Arianth Capital Research

Exhibit 19: Changes in revenue & EBITDA margin impact on PAT & EPS levels.

FY29E PAT (INR cr)

		EBITDA Margin (%)							
		1,210	19.5%	20.0%	20.5%	21.0%	21.5%	22.0%	22.5%
Revenue (INR cr)	9,200	1,043	1,077	1,111	1,145	1,179	1,213	1,247	
	9,400	1,072	1,107	1,141	1,176	1,210	1,245	1,280	
	9,600	1,101	1,136	1,171	1,207	1,242	1,278	1,313	
	9,800	1,129	1,165	1,202	1,238	1,274	1,310	1,346	
	10,000	1,158	1,195	1,232	1,269	1,306	1,342	1,379	
	10,200	1,187	1,224	1,262	1,300	1,337	1,375	1,412	
	10,400	1,216	1,254	1,292	1,331	1,369	1,407	1,446	

FY29E EPS (INR)

		EBITDA Margin (%)							
		7.5	19.5%	20.0%	20.5%	21.0%	21.5%	22.0%	22.5%
Revenue (INR cr)	9,200	6.5	6.7	6.9	7.1	7.3	7.6	7.8	
	9,400	6.7	6.9	7.1	7.3	7.5	7.8	8.0	
	9,600	6.9	7.1	7.3	7.5	7.7	8.0	8.2	
	9,800	7.0	7.3	7.5	7.7	7.9	8.2	8.4	
	10,000	7.2	7.4	7.7	7.9	8.1	8.4	8.6	
	10,200	7.4	7.6	7.9	8.1	8.3	8.6	8.8	
	10,400	7.6	7.8	8.0	8.3	8.5	8.8	9.0	

Source: Bloomberg, Arianth Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (INR cr)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Revenue	4,745	4,465	4,103	4,949	6,193	7,786	9,699
Net Raw Materials	3,479	3,220	2,944	3,202	3,868	4,730	5,844
Employee Cost	348	351	364	445	551	685	843
Other Expenses	298	313	308	541	658	804	992
EBITDA	620	582	487	762	1,116	1,567	2,020
EBITDA Margin (%)	13.1%	13.0%	11.9%	15.4%	18.0%	20.1%	20.8%
Depreciation	(83)	(82)	(106)	(157)	(186)	(227)	(271)
Interest expense	(152)	(147)	(185)	(242)	(259)	(238)	(224)
Other income	47	101	58	65	89	93	116
Profit before tax	432	454	255	428	760	1,195	1,641
Taxes	(113)	(117)	(43)	(98)	(200)	(314)	(432)
PAT	319	338	211	329	560	881	1,210
PAT Margin (%)	6.7%	7.6%	5.1%	6.7%	9.0%	11.3%	12.5%
Other Comprehensive income	2	130	(36)	(29)	-	-	-
Total comprehensive income	321	467	175	300	560	881	1,210
EPS (INR)	2.3	3.2	1.2	2.0	3.6	5.5	7.5

Source: Company Reports, Arianth Capital Research

Balance sheet summary

Y/e 31 Mar (INR cr)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Equity capital	138	144	144	153	155	161	161
Reserves	2,970	3,812	3,935	4,738	5,412	6,671	7,827
Net worth	3,108	3,956	4,079	4,891	5,567	6,831	7,988
Minority Interest	37	44	40	58	58	58	58
Provisions	53	60	69	76	20	21	27
Debt	1,137	1,432	1,802	2,247	2,092	1,887	1,862
Other non-current liabilities	29	77	86	81	93	117	97
Total Liabilities	4,363	5,569	6,077	7,353	7,830	8,914	10,032
Fixed assets	487	496	630	913	1,312	1,601	1,872
Capital Work In Progress	71	154	200	85	116	142	68
Other Intangible assets	215	433	580	649	649	649	649
Goodwill	26	26	26	26	26	26	26
Investments	102	255	229	136	186	234	291
Other non current assets	57	60	88	75	93	117	126
Net working capital	2,537	3,265	3,220	4,256	3,678	4,187	4,685
Inventories	758	774	899	1,416	1,325	1,555	1,841
Sundry debtors	2,309	2,736	2,302	2,482	2,884	3,520	3,986
Loans & Advances	31	29	27	30	25	31	39
Other current assets	548	644	1,461	1,843	1,018	1,067	1,063
Sundry creditors	(878)	(808)	(1,079)	(1,007)	(1,141)	(1,363)	(1,662)
Other current liabilities & Prov	(232)	(110)	(391)	(508)	(434)	(623)	(582)
Cash	323	336	491	468	841	791	859
Other Financial Assets	546	544	612	744	929	1,168	1,455
Total Assets	4,363	5,569	6,077	7,353	7,830	8,914	10,032

Source: Company Reports, Arianth Capital Research

Du-Pont Analysis

Y/e 31 Mar	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Tax burden (x)	0.7	0.7	0.8	0.8	0.7	0.7	0.7
Interest burden (x)	0.8	0.9	0.7	0.7	0.8	0.9	0.9
EBIT margin (x)	0.1	0.1	0.1	0.1	0.2	0.2	0.2
Asset turnover (x)	1.0	0.9	0.7	0.7	0.8	1.0	1.0
Financial leverage (x)	1.5	1.4	1.4	1.5	1.4	1.3	1.3
RoE (%)	10.8%	9.6%	5.3%	7.3%	10.7%	14.2%	16.3%

Source: Company Reports, Arianth Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR cr)	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Profit before tax	432	454	255	428	760	1,195	1,641
Depreciation	83	82	106	157	186	227	271
Tax paid	(113)	(117)	(43)	(98)	(200)	(314)	(432)
Working capital Δ	(171)	(728)	45	(1,036)	578	(509)	(498)
Operating cashflow	232	(309)	362	(549)	1,324	600	982
Capital expenditure	(128)	(174)	(286)	(326)	(616)	(542)	(468)
Free cash flow	103	(483)	76	(875)	708	57	514
Equity raised	31	547	(63)	514	141	422	-
Investments	(15)	(153)	26	93	(50)	(48)	(57)
Others	(302)	(219)	(244)	(187)	(203)	(263)	(296)
Debt financing/disposal	(35)	295	370	445	(155)	(205)	(25)
Dividends paid	(24)	(29)	(29)	(14)	(25)	(39)	(53)
Other items	37	55	18	1	(43)	25	(15)
Net Δ in cash	(206)	14	155	(23)	373	(50)	68
Opening Cash Flow	528	323	336	491	468	841	791
Closing Cash Flow	323	336	491	468	841	791	859

Source: Company Reports, Arianth Capital Research

Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25	FY26	FY27E	FY28E	FY29E
Growth matrix (%)							
Revenue growth	0.4%	-5.9%	-8.1%	20.6%	25.1%	25.7%	24.6%
Op profit growth	-4.6%	-6.3%	-16.3%	56.4%	46.6%	40.4%	28.9%
Profitability ratios (%)							
OPM	13.1%	13.0%	11.9%	15.4%	18.0%	20.1%	20.8%
Net profit margin	6.7%	7.6%	5.1%	6.7%	9.0%	11.3%	12.5%
RoCE	10.4%	9.2%	6.4%	7.8%	10.1%	12.9%	14.8%
RoNW	10.8%	9.6%	5.3%	7.3%	10.7%	14.2%	16.3%
RoA	7.3%	6.1%	3.5%	4.5%	7.2%	9.9%	12.1%
Per share ratios (INR)							
EPS	2.3	3.2	1.2	2.0	3.6	5.5	7.5
Dividend per share	0.2	0.2	0.2	0.1	0.2	0.2	0.3
Cash EPS	2.9	2.9	2.2	3.2	4.8	6.9	9.2
Book value per share	22.6	27.5	28.3	32.0	35.9	42.6	49.8
Valuation ratios (x)							
P/E	49.7	35.8	95.4	59.1	32.1	21.1	15.4
P/CEPS	39.7	39.8	52.8	36.5	24.1	16.8	12.6
P/B	5.1	4.2	4.1	3.6	3.2	2.7	2.3
EV/EBITDA	27.0	30.6	37.0	25.6	17.2	12.6	9.7
Payout (%)							
Dividend payout	7.7%	8.5%	13.7%	4.4%	4.4%	4.4%	4.4%
Tax payout	26.1%	25.7%	17.0%	23.0%	26.3%	26.3%	26.3%
Liquidity ratios							
Debtor days	185	206	224	176	158	150	141
Inventory days	70	87	104	132	129	111	106
Creditor days	85	79	95	91	77	73	72
WC Days	170	214	233	217	210	188	175
Leverage ratios (x)							
Interest coverage	3.5	3.4	2.1	2.5	3.6	5.6	7.8
Net debt / equity	0.3	0.3	0.3	0.4	0.2	0.2	0.1
Net debt / op. profit	1.3	1.9	2.7	2.3	1.1	0.7	0.5

Source: Company Reports, Arianth Capital Research

Story in Charts

Exhibit 20: Revenue is expected to grow at 25.1% CAGR over the period of FY26-FY29E.

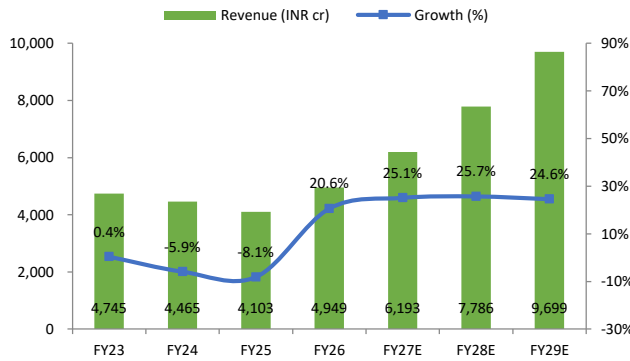


Exhibit 21: Backward integration and softening of RM costs will lead to improvement in gross margins.

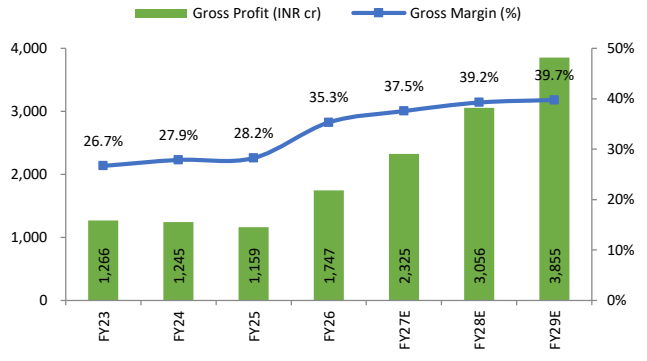


Exhibit 22: Growth in EBITDA & PAT levels

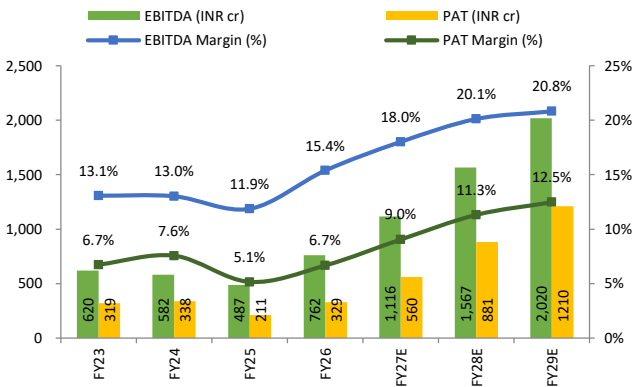


Exhibit 23: Return ratios to be improve

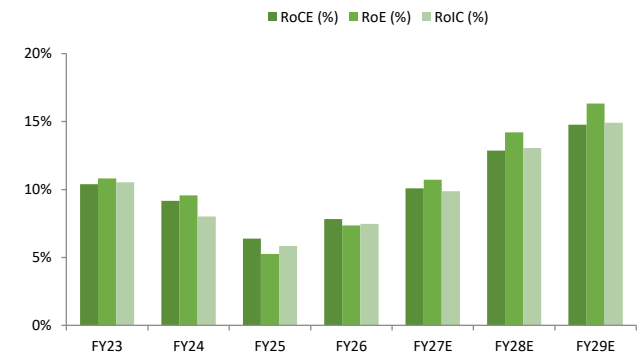


Exhibit 24: Telecom products WC cycle is lower and increase in products share would improved working capital days.

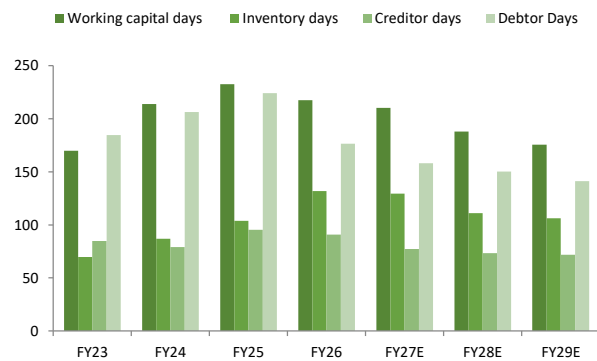
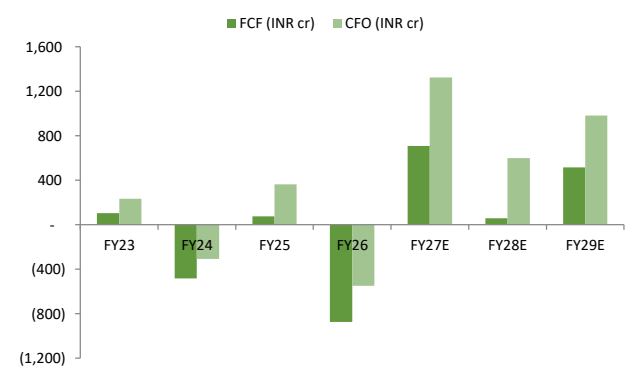
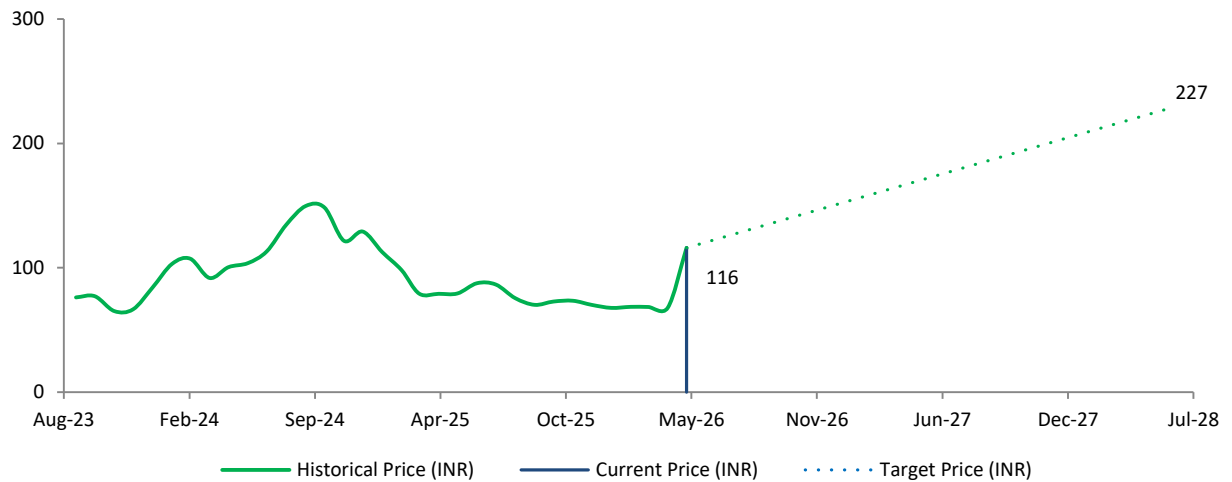


Exhibit 25: Cash flows to be improve



Source: Company reports, Arianth Capital Research

Exhibit 26: HFCL Target Price



Source: NSE, Arihant Capital Research

Exhibit 27: Analyst Coverage

S.No	Sector	Stock	CMP (INR)	TP (INR)	Upside (%)	Recommendation
1		Titagarh Rail Systems Ltd	771	1,006	30.4%	BUY
2	Capital Goods	Pitti Engineering Ltd	972	1,070	10.1%	BUY
3		Kirloskar Pneumatics Ltd	1,490	1,795	20.5%	BUY
4		MTAR Technologies Ltd	6,680	5,282	-20.9%	BUY
5	Defence & Aerospace	AXISCADES Technologies Ltd	2,019	2,131	5.5%	BUY
6		Raymond Ltd	467	788	68.7%	BUY
7		Voltas Ltd	1,438	1,369	-4.8%	NEUTRAL
8	Consumer Durables & EMS	Orient Electric Ltd	185	225	21.6%	BUY
9		Cyient DLM	395	436	10.4%	BUY
10	Infrastructure	Afcons Infrastructure Ltd	338	444	31.4%	BUY
11		PSP Projects Ltd	793	998	25.9%	BUY
12	Cables	HFCL Ltd	116	227	96.1%	BUY
13		Sterlite Technologies Ltd	295	454	53.7%	BUY
14	Small & Midcaps	SEAMEC Ltd	1,595	2,478	55.4%	BUY
15		India Glycols Ltd	1,043	1,605	53.9%	BUY

Note: *MTAR Technologies TP has achieved

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Absolute Return**Research Analyst
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