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HFCL/SEC/23-24 October 30, 2023

BSE Ltd. 1st Floor, New Trading Wing, Rotunda Building Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai – 400001 corp.relations@bseindia.com **Security Code No.: 500183**	**National Stock Exchange of India Ltd.** Exchange Plaza, 5th Floor, C – 1, Block G Bandra – Kurla Complex, Bandra (E) Mumbai – 400051 cmlist@nse.co.in **Security Code No.: HFCL**

RE: Intimation under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "SEBI Listing Regulations").

Subject: Transcript of Conference Call on the Un-audited Financial Results of the Company for the 2nd Quarter and Half Year ended September 30, 2023, of the Financial Year 2023-24.

Dear Sir(s)/ Madam,

This is further to our earlier announcement dated October 13, 2023.

In terms of Regulation 30 read with Para A of Part A of Schedule III to the SEBI Listing Regulations, we hereby submit Transcript of the Conference Call held on October 20, 2023, on the Un-audited Financial Results of the Company for the 2nd Quarter and Half Year ended on September 30, 2023, of the Financial Year 2023-24, which were considered and approved by the Board of Directors of the Company, at its meeting held on October 19, 2023.

This aforesaid Transcript will also be available on the Company's website at https://www.hfcl.com/.

You are requested to take the above information on records and disseminate the same on your respective websites.

Thanking you.

Yours faithfully,
For **HFCL Limited**

MANOJ BAID
Digitally signed by MANOJ BAID
Date: 2023.10.30 13:05:50 +05'30'

(Manoj Baid)
President & Company Secretary

Encl: Copy of Transcript.

"HFCL Limited
Q2 FY2024 Earnings Conference Call"

October 20, 2023

ANALYST: **MR. ARUN BAID – ICICI SECURITIES LIMITED**

MANAGEMENT: **MR. MAHENDRA NAHATA – PROMOTER & MANAGING DIRECTOR**
MR. VIJAY RAJ JAIN – CHIEF FINANCIAL OFFICER
MR. MANOJ BAID – COMPANY SECRETARY
MR. AMIT AGARWAL – HEAD INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 FY2024 Results Conference Call of HFCL hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*" then "0" on your touchtone phone. Please note that this conference is being recorded. From the management team, we have with us Mr. Mahendra Nahata, Promoter and Managing Director; Mr. V R Jain, CFO; Mr. Manoj Baid, Company Secretary; Mr. Amit Agarwal, Head, IR. I now hand the conference over to Mr. Mahendra Nahata. Thank you, and over to you, sir.

Mahendra Nahata: Good afternoon Ladies and Gentlemen and welcome to HFCL's earnings call for the second quarter and half year of FY24.

I would like to express my sincere appreciation and gratitude for joining us today. I am sure that you got a chance to go through our financial results, press release and investor presentation, which are available on the website of the Company and also on the website of stock exchanges.

The outlook for the global economy still remains somewhat uncertain, marked by varying macroeconomic conditions across different regions. Uncertainty is also triggered by the recent global conflicts. Despite that the International Monetary Fund (IMF) has upped India's economic growth forecast to 6.3 percent for the current fiscal FY24 primarily due to Indian economy's robust growth prospects. India's digital transformation is making a significant difference in creating a new model of economic growth. India has offered its indigenously developed 5G technology to other countries and has also demonstrated its Digital Public Infrastructure to the world. The Country is now well positioned to take on bigger challenges with the Bharat 6G stack that holds immense promise given India's technological expertise in the field.

India's technological progress in the telecom sector has positioned it as an attractive global investment and manufacturing destination. In just one year after the 5G rollout started, India has emerged as one of the top three 5G ecosystems in the world. The growing demand for high-speed 5G connectivity, fuelled by government initiatives like BharatNet, implementation of FTTH, PLI scheme and anti-dumping duty on optical fiber cables will not only foster indigenous manufacturing but also open up promising avenues for growth.

In addition, the telecom industry is also taking significant steps to create roadmap for 6G. This was evident with the recent signing of MoU between Bharat 6G Alliance and Next G Alliance at the G20 Summit. This collaboration is poised to foster innovation in the dynamic telecom landscape and deepen public-private cooperation.

Against the backdrop of digital transformation and building of a robust 5G network infrastructure, we are expecting strong demand in near future for fiberisation both in India and globally. This expected strong demand is fuelled by increased government thrust on fiberisation, FTTH, rise in data centres, adoption of cloud computing, IoT, investing in 5G capex and telecom infrastructure across key global markets including India, US, UK, France, Germany, Middle East and other countries. In India, products under PLI scheme and fiberisation under BharatNet and FTTH projects by private operators will result in good opportunities for players like us.

The government in United States has also unveiled 'the BEAD vision' (Broadband Equity, Access and Deployment (BEAD) programme of USD 43 billion), which is intended to extend last-mile coverage across the US. Under this and such other programmes, subsidies equivalent to USD 61 billion is expected to be disbursed for fiberisation across United States. On the other hand, EU Countries including Germany, Italy, France and Austria are also seeing massive capex besides funds allocated by the UK Government recently to accelerate 5G innovation and to put all UK households in reach of fiber to the premises by 2033 as part of its Project Gigabit.

HFCL has carved out a distinct space in the telecom industry by continuing on its strategic priorities of expanding Optical Fiber and Optical Fiber Cable capacities along with key initiatives to design 5G networking solutions and various other broadband wireless products. These products include the revolutionary 864-fiber count intermittent bonded ribbon cable, 5G fixed wireless access customer premise equipment, cloud-based network management systems, 5G radio access network, 5G transport products, along with high capacity unlicensed band radios and WiFi- 7 access points. We plan to launch some of these key products during the current financial year and we are confident that the launch of these products will further contribute to higher revenue and profitability in coming years.

During the quarter under review, we launched our revolutionary 864-fiber count intermittently bonded ribbon cable in the UK. The IBR Cables enable easy installation of higher fiber counts in small diameter ducts, especially useful in congested areas with very limited space. We also unveiled our new high-fiber density flat ribbon cable at the Fiber Connect 2023 event, held in the United States. The strong market reception highlights the significance of our innovative cables, reaffirming HFCL as a leading provider of pioneering solutions that consistently address the evolving needs of our valued customers.

Further, Fiber Reinforced Plastic Rod & Impregnated Glass Fiber Reinforcement, manufactured at HFCL's Hosur Plant have been accredited with Registration, Evaluation, Authorisation, and Restriction of Chemicals Compliant (REACH), which permits the sale of these cable reinforcement products in countries across the European Union.

HFCL is actively pursuing business opportunities by leveraging its domain expertise, technological strengths and established market presence to enhance the nation's defence capabilities. I am proud to inform you that our Aerospace & Defence division in HTL Limited, a subsidiary, secured a prestigious order from a prominent Defence Public Sector Unit for the supply of 18 different types of cable assemblies that provide Interface and Interconnection between sub systems of Identification of Friend-or-Foe radar systems.

We have also successfully cleared the User Trial Readiness Review for the BMP 2 Armament Upgrade Project, under MAKE II, of the Indian Army, underscoring our commitment to meeting the defense sector's requirements and contributing to the nation's self-reliance.

In Q2 FY24, our Optical Fiber manufacturing plant at Hyderabad achieved a run rate of 12 Million fiber km through sustainable improvements in efficiency, product quality and capacity building. It has established the best Overall Equipment Effectiveness performance and also resulted in an increased 10% throughput.

I also wish to update that expansion of Optic Fiber manufacturing capacities from 10 mn fkm to 33.90 mn fkm is progressing well and shall be operational as planned. In addition, the Company is also in process of expanding its optical fiber cable production capacity from 25mn fkm to 35mn fkm. This expansion will also lead to significant increase in revenue and profitability. The capacity will be added in a phased manner, with the completion targeted by FY 24-25.

During this quarter, we also witnessed softening in demand of OFC and telecom networking products from the telcos, resulting into decline in product revenue both on Quarter on Quarter and Year on -Year basis. The temporary decline can be attributed to an inventory build-up with major operators, resulting in an overall reduction in revenue in absolute terms as well as lower sales realisation per kilometre of fiber.

Aside, the overall demand across US has slowed down as BEAD funding got delayed which took a hit on the capex by the telcos and now it is expected to start by July-August next year. In China, less orders were released by China mobile. In India, also situation was not much different. The BharatNet tender got delayed and incessant rains during the monsoon season also impacted the overall demand by the Indian telcos. This has resulted in decline in demand of Optical Fiver Cables worldwide for sometime

During the quarter under review, we were able to win some significant orders from our customers. As a result, we closed Q2FY24 with an order book exceeding INR 7000 crore.

HFCL also successfully raised INR 352 crores through QIP during this quarter. The QIP has received an overwhelming response from institutional investors. I extend my heartfelt gratitude to all the investors for their unwavering support and trust in HFCL's long-term growth strategy.

The proceeds from the QIP are primarily being used to fund capital expenditures for the expansion of our optic fiber and optic fiber cable capacity, support expenditures related to Research and Development initiatives, including the acquisition of technologies, facilitate the repayment/prepayment of short-term borrowings and fulfil working capital requirements.

Let me now brief you on the key performance metrics of Q2FY24.

- Revenue for Q2FY24 stood at INR 1111.49 Crores as compared to INR 995.19 Crores in Q1FY24 and INR 1173.47 crores in Q2FY23
- EBITDA for the quarter stood at INR 149.77 Crores as compared to INR 159.62 Crores in Q1FY24 and INR 174.60 Crores in Q2FY23; EBITDA margin stands at 13.47% for Q2FY24 as compared to 16.04% for Q1FY24 and it stood at 14.88% in Q2FY23;
- Profit after tax for Q2FY24stands at INR 70.17 Crores as compared to INR 75.56 Crores of Q1FY24 and INR 84.31 Crores in Q2FY23; PAT margin stands at 6.31% in Q2FY24 as compared to 7.59% in Q1FY24 and 7.18% in Q2FY23
- Segment revenue for telecom products during the quarter stood at INR 473.81 Crores (43 % of Q2FY24 revenue) as compared to INR 662.43 Crores 67% of Q1FY24 revenue and INR 671.04 Crores (57% of revenue in Q2FY23).
- Revenue for H1FY24 stood at INR 2,106.68 Crores as compared to INR 2,224.48 Crores in H1FY23;

- EBITDA for H1FY24 stood at INR 309.39 Crores as compared to INR 304.35 Crores in H1FY23; EBITDA margin stands at 14.69% for H1FY24 as compared to 13.68% for H1FY23;
- Profit after tax for H1FY24 stands at INR 145.73 Crores as compared to INR 137.40 Crores in H1FY23; PAT margin stands at 6.92% in H1FY24 as compared to 6.18% in H1FY23
- Segment revenue for telecom products during the H1FY24 stood at INR 1136.24 Crores (54 % of H1FY24 revenue) as compared to INR 1291.14 Crores (58% of H1FY23 revenue).

The growth in key global telecom markets and burgeoning opportunities in India fuel our optimism. To conclude, I would like to reiterate that with our strategic focus on capacity expansion, geographical expansion, shift in revenue mix from projects to products, backward and horizontal integration, strong R&D commitment and developing margin accretive new products have begun to yield results and we are confident that our strategy will continue to enhance our revenues and profitability in the coming years. With an unyielding focus on delivering value to our shareholders, our team is determined to pursue our goals relentlessly.

We are excited about our participation in the upcoming India Mobile Congress from 27 to 29 October, 2023. We look forward to unveiling various key futuristic products that are set to play a crucial role in the telecom industry and revolutionise the 5G expansion movement in India.

Thank you once again for your keen participation. With this, I conclude my opening remarks and open the floor for the Q&A session. Thank you.

Moderator: Thank you very much, Sir. We will now begin the question and answer session. The first question is from the line of Balasubramanian from Arihant Capital. Please proceed.

Balasubramanian: Good evening Sir. Thanks so much for taking my question. My first question, on the financial side intangible asset under development has increased from INR 98 Crores to INR 299 Crores from FY2023 to H1 FY2024. Could you please clarify on the same like what kind of development we have?

Mahendra Nahata: No, look all these expenses, what you see the increase in the R&D expenses, the license fee paid, R&D expenditure incurred and that would be amortized once the products are launched. They would be amortized over a period of time. The R&D is an expensive effort and we are incurring these expenses, as different products are being undertaken for R&D which have been mentioning all the time. These totally relate to R&D expenditure and also the equipment which we buy for the software licenses and all that we get for developing various equipment.

Balasubramanian: Sir, the segmental revenue mix reflects in Q2 FY2024. So like how do you understand on segmental revenue mix and margins going forward?

Mahendra Nahata: As you would have noticed, in the current quarter, the product revenue has gone down a bit and that has happened because of the decreased demand of optic fibre cable, which I explained in detail in my opening remarks. It went down quite suddenly, quite unexpectedly and for various reasons, in India because of monsoon reasons and operators not expanding their network that fast in monsoon, in different other countries like US for delay in the subsidy programs and accumulation of inventory with the operators because people earlier thought that supply would be quite delayed. People had accumulated inventory all that led to decrease in the revenue of optic fiber cable in the last quarter and I am expecting this to continue little bit in the current quarter also and then expect it to improve again with all this programs coming back. Overall optic fiber cable demand is going to be remaining good, exceedingly well because of FTTH, 5G, BharatNet in India and various other subsidy programs being launched by various governments worldwide, including the developed countries to make fiber reach to every home. Overall demand is going to remain very good, but this has been temporary phenomena. So going forward if you ask me in segmented revenue it is going to become better and better and our objective is to reach to 70-30 product and project revenue whereas 30% of the project revenue would be from the good cash flow kind of projects and products revenue out of the 70% maximum would be out of the products to be developed by us or are being developed by us. Some of the products which we have developed are already launched in the market and are getting good traction like Wi-Fi access points, like unlicensed band radios, we have a very good traction in the market. So going forward, I would say the objective of the company is to reach to a 70-30 kind of a revenue mix. However, for current quarter, which result I am presenting to you, in the current quarter the mix might be little different because of the current situation of optic fiber cable I have explained to you. However, in Q4FY24, increased demand of cable and some of the new which we are trying to launch, if we launch in the fourth quarter of the financial year that revenue will also kick in, but definitely if you go to Q1 of the next financial year, this would have a dramatic change because all the products would have been launched. Cable demand would be improved, so that would put less stress on the cash flow and also increase the revenue and profitability. Moreover by that time a lot of revenue which is unrealized still from the one of the major project which is network for spectrum

Indian Army project. A large part of that revenue would have also been realized. So that will further improve the cash flow of the company to a very good extent.

Balasubramanian: Got it Sir. My next final question on that export market side like we are aware some inventory buildup with major Telcos in U.S. market. How do we anticipate demand and supply environment not only U.S., the overall global market because our revenue export share was 17% in FY2023 right now we have seen little bit dip to 14.4%. So like how do we understand the global markets because of inventory buildup, it is a problem with the U.S. market only or how do we understand on the overall markets.

Mahendra Nahata: Look , the problem is in U.S. I tell you. Before few months, not few months and I would say two or three quarters back US was in a situation where the delivery was four to six months. Unfortunately, at that time our focus was seeking approval, we have not started exporting. We were preparing ourselves. Now what has happened because the increase in capacity in US and also late start of those programs which I mentioned about operators had already built up inventory believing that this delivery time is going to be continuing four to six months they accumulated stock by taking increased delivery from suppliers So when these programs got delayed, naturally the output, the installation of optic fiber cable did not take that kind of a speed which it was expected as a result of which there was a buildup of the inventory with the operators Simultaneously supplies which had increased keeping in view the demand would increase and the supply had increased. So this has resulted in two fold impacts that the inventory buildup is there and very quick, which is expected to ease out as I said next four to six months or even maybe less than that this is expected to ease out, good thing which has also happened of the total requirement in U.S. market more than 60% products we have already got approved by the Telcordia and other approving agencies, which itself is a big thing because in the US market cable requirement is completely different in terms of construction and material you use other than Indian and European market. So those approvals have been taken, once the demand picks up we expect reasonable amount of opportunities for us. We have already started appointing distributors, agents. We have already got our own employees also in U.S. market. We are totally ready to take advantage of this market once the demand picks up. But anyway we have already started selling, we have done some selling in U.S. market. I do not have the exact number in my hand, but yes, I think something like $8 or $10 million, $7 or $8 million of sales has already happened in the US market.

Balasubramanian: Thank you, Sir. I will come back in queue.

Moderator: Thank you. The next question is from the line of Sahil Sanghvi from Monarch Networth Capital. Please go ahead.

Sahil Sanghvi: Good evening, Sir. Just two questions. One, so, now talking about the second-half, can we still expect a low single digit growth this year or should we expect a flattish number on the revenue side for this year?

Mahendra Nahata: I would not like to give any future guidance or predictions but I am sure with the demand picking up in next two quarters there should be reasonable growth in our revenue which we had anticipated, this particular quarter the revenue growth was there but because of the reduced sales from the products, margin took a hit compared from the quarter one. Once the product sale improves the margin are also going to improve. So though the revenue has grown, but if you compare it to the last year, it is not really revenue has gone down, but it is more or less the profitability has gone down. So I expect that next two quarters we should expect the demand should pick up, and if the demand picks up our revenue and profitability both will grow.

Sahil Sanghvi: My second question is all these new products that we are launching, would you be able to give a number as to what kind of incremental revenue can we expect may be by next year?

Mahendra Nahata: The new products which we are launching which number of times I have mentioned, I am expecting that there should be at least an increase in revenue of about INR 800 to INR 1000 Crores coming up from this on a very pessimistic basis. It could be more because some of the products we are launching, the demand is huge, huge demand opportunity is there, but at least INR 800 to INR 1000 Crores minimum I expect that kind of a revenue to come up from these products.

Sahil Sanghvi: This was in FY2025 or would be over two, three years

Mahendra Nahata: No, I am talking of FY2025. I am quite confident of that, because all these products I am talking about would be launched before the expiry of this financial year and maybe a little bit earlier than that, one-by-one and by the next financial year we would be totally be in the market including the export market to sell these products. So once that happens and the demand of these products to have billions of dollars So there is absolutely no lack of confidence in us to get this kind of revenue.

Sahil Sanghvi: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Saral from Indsec. Please go ahead.

Saral: Hi, Sir. Thanks for the opportunity. What would be our blended capacity utilizations, if you could give a sense?

Mahendra Nahata: Would you repeat your question once again.

Saral: My question pertain to our capacity utilizations for the first half.

Mahendra Nahata: Look the capacity utilization, the fiber optic is low, as I have said, the market has slowed down. So, it has gone down by roughly by 1/3rd or so. As you have seen, the product sale has gone down by 1/3rd. So capacity utilization has gone down almost in tandem. It had little bit more than that because inventory which was there has also been part of the sales numbers So but around that it has gone down the capacity utilization, but once the demand improves it will go up again very easy to increase that, this is very modular.

Saral: You highlighted that our margins have fallen because of the weak product mix. The product revenue has fallen. Any other reason apart from this or this is the only reason?

Mahendra Nahata: Major reason is this only. But there has been decrease in the price of fiber also because once you have a decrease in demand, consequently there will be some decrease in the price also. So the realization of fiber optic cable per fiber kilometer has gone down by about INR100 per fiber kilometer. So that extent from decrease in demand, but let me tell you these are very temporary phenomena in the market, market cannot always be remain in sky high and every time the demand is very, very high. There are temporary things which come in the market this is one of them and I am quite confident this would come back to its normal level very, very soon and this will also improve once our demand improves and also at the same point of time capacity utilization will also improve and all that would be reflected in the P&L of the Company.

Saral: So Sir, what should be the margin trajectory because it has been volatile over last three, four quarters So just wanted to get a sense where can we be lined up in FY2024? If you could give a directional guidance.

Mahendra Nahata: It is not proper for me to give guidance, but yes, I can say with the increase in the product revenue, margin trajectory would also become better and average out. We average out for last six quarters, it would be around that.

Saral: Can you share some outlook for exports? How is it shaping up? We have seen very good traction over last 3-4 years But going ahead, how do we see that going?

Mahendra Nahata: Look, I am very bullish about that. I am very, very bullish about that. We have taken various steps to increase exports for optic fibre cable as well as equipment. I think we would have contacted in last two months more than 200 to 250 different customers across the world about our optic fibre cable and now starting to build them from SGO level to L1, L2, L3 level, when L4 used to make a final sale. So these are the kind of customers we are now contacting apart from the customers we are selling because the new customers we are contacting by dedicated team and we receive replies from many and then we start taking the next steps and all that and we have got approval from as I said in Telecordia from the US market which is approving agency technically we have got approval from various other world renowned operators for our optic fibrecable. I have a very promising outlook optic cable sales in the export market and of course I expect it to pick up in the next couple of months. As far as the equipment are concerned, I am very bullish because the market of equipment is far, far larger than the optic fibre cable market. Of course equipment are also quite a lot, but the equipment which we are manufacturing, we are designing a view to manufacturing. There also demand is billions of dollars What I am talking about INR 800-1000 Crores. So we have already started making in that direction, effort in that direction also to start writing to the operators these are the products which are going to come out of our manufacturing in next few months. These are the specifications and we are already looking at that yes, we are getting good response from operators and once the products come out and we give it for testing I am sure that this INR 800 or 1000 Crores of revenue would be absolutely seen as nothing. In fact we have already sent one of our product samples for testing to a very large US operator and they have already gone through the first level of testing and they expressed complete satisfaction with our product. I do not say that has resulted in any demand immediately, but getting a satisfactory report from such a large operator itself is a good thing, this is for the 5G product, another 5G product is getting tested in another operators lab in India. There also we have got a satisfactory report. So product revenue from exports and also cable revenue from exports, I am very bullish about because of the efforts we have taken because the customer base we are creating and in terms of products. Good efficient products at a price which is very competitive we have developed. So I am sure this will all result in good export revenue in the next year and years beyond that.

Saral: Sure. I will fall back in queue. Thank you.

Moderator: Thank you so much. The next question is from the line of Darshit from Robo Capital. Please go ahead, Sir.

Darshit: Thank you for taking my question. So although you have partly answered my question, but I just request that if you can just not a proper guidance, but just give a view of the medium-term, say two to three years down the line about margins, revenue or any kind of key drivers you think?

Mahendra Nahata: Thanks for your question. I would not give a guidance, but what I can say there is strategy which we have got in the Company two three fold . One, increasing our revenue from products and that is happening with increasing the capacity of fiber optic cable manufacturing capacity, fiber manufacturing capacity, backward integration which aid us in cost reduction. Two, product designed by ourselves, which is resulting in number of products which can be sold in export market and also reducing our revenue from project and increasing from products, all this if you look at combined way, you would find that revenue are expected to go up as well as profitability is also expected to go up in next 2-3 years mid-term as you are talking about, reason is simple. One, better profitability, lower cash requirement, and this will see an interest burden and also at the same time, increased capacity would mean that you would be able to export to more customer and more countries on which we are believing upon heavily, because if export is good, then that is where the 90% of the demand lies. So with the more number of customers we expect increase in the revenue. So that is where we are putting up a lot of effort apart from our customers in India, of course, because India is our home market where customers like Jio and Airtel, we hope the Vodafone also revive, we hope. The BSNL is coming up with a lot of incentives from the government, programs like BharatNet are coming up and that has a budgeted outflow of INR 140000 Crores for next 10 years including maintenance out of which INR 40000 Crores is Capex in next three years and we expect to get reasonably good orders out of that because we should be one of the more qualified parties. So in 2, 3 years timeframe, I expect future should be good.

Darshit: Great to hear that and I just missed one thing you said about products already approved in the US markets. What was the number?

Mahendra Nahata: That, I talked about the optic fibre cable and that was roughly the estimate that constitutes about 60% of the demand on the cable markets of the US.

Darshit: Thank you so much.

Moderator: Thank you. The next question is from the line of Aman Vij from Astute Investment Management. Please go ahead, Sir.

Aman Vij: Good evening, Sir. My first question is on the defense side and then on the product side.

Mahendra Nahata: Aman your questions are always on defense side.

Aman Vij: Yes, I have a question on product side also sir. On the defense side, if you can give an update last call you talked about some potential tenders in BMP upgrade and fuses as well, and on the SDR and night vision. If you can update on all the three, four products.

Mahendra Nahata: Yes, on the BMP upgrade UTRR for our upgrade has already happened, UTRR is readiness time and I am very happy to inform that we have already gone through that UTRR. Some of them have failed and I do not want to name who have failed because it is not my job to name the competitors who have failed and now I think the last phase of trial is going on for the remaining companies and I think they are finishing the trial within this month and whoever passes through they will get the RFP and the tender to participate and we have already passed through that trial and we are happy to inform you. In terms of SDR which is under development is still not fully developed. We have done more or less 50%, 60% of the development. There were some issues where we got stuck in terms of technical part of it which is particularly the radio frequency part which we have now got a solution and resolved so result in a sense that theoretically result, the practically when we put it through as the equipment we would know, but now we know the solution. So then the SDR would be developed sometime mid of next year and will be submitted to Army. But it is a long-term project, demand of SDR would continue for decades to come, more than a decade to come. So there is no problem for us even if it has got delayed by six months or so and in R&D nothing new, very, very complicated product. So there is a delay of six months or so. That is fine, that has received in demand for couple of decades. So we have no issue with that. New tender is yet to come. We are hearing that new tender would come. Whenever it comes we will participate. But we have already approached Indian Army for trial even without a tender because there is a procedure by which they try by themselves. If you submit even without the tender and they certify it for the military use, once they certify for military use, then whenever a tender comes, you do not even have to go for a discussion trial again in many cases, many cases you may have to, many cases you may not. In terms of defense we have participated in another tender which is yet to be opened which is for tactical optic fibre cable which was I think about 7000 kilometers about few days back, about 10 days back and that it will be opened. So once it comes, we will know the results there are only, I think there should be only three or four participants as much as I know. So it has not been declared but as industry information is there, there should be about three or four participants and we are very hopeful that we should be one of the parties who would be asked to go for the reverse bidding, it is two stage bidding one is what you submit another reverse bidding happens. So we are quite hopeful of that. There is a product which you have already participated. So UTRR we are approved and waiting for RFP, tactical cable we have already participated in a tender. We are quite hopeful of that SDR development is bit delayed but which would come up in the mid next year, fuse we are submitting for approval to the Indian Army already written to them now waiting for the ammunition to be made available and the firing range to be made available for the artillery guns firing ranges are limited. So firing range availability, we are waiting for, electro optics, we have one tender coming up where we will participate, one tender has already come where there have been some problem with number of private companies in a particular class of firing which was represented by all. It was a a technical problem that had given, not really problem with the electro optic devices of the company. So that is under reconsideration at this point of time.

Aman Vij: Sure, Sir. That was helpful. The second question is on the product side. So earlier we had a target of around maybe INR300 to INR400 Crores sales for this year and INR800 to INR1000 Crores for next year. I believe we are still on track for next year target, but what would be the revised target for the product side for this year.

Mahendra Nahata: So this year instead of INR300 to INR400 we are expecting INR250 to INR300, about INR250 to INR300 because some of our products which we are already in the market for example unlicensed band radio that has got a good traction that has come, that is under supply. We got an order of 10000 links which is under supply. Then another order of 5000 links is expected very soon which we would supply. So you should assume it at about INR250 Crores to INR300 Crores instead of INR300 to INR400 Crores, but next year INR800 to INR1000 Crores I believe there will not be any problem in achieving that.

Aman Vij: Ok, Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead, Sir.

Saket Kapoor: Firstly for this EPC segment part, I think somehow the Madhya Pradesh Jal Nigam we bagged an order for INR1015 Crores. If you could give us some more details and also whether it is one of the project or package in the project if you could throw some more light.

Mahendra Nahata: No it is one of the project, not really a package in project, and it is expected to be completed in two years' timeframe and work all that would start in about a month from now after Diwali let me say. As I said, our effort is to somehow come up with the technology where we can put optic fibre cable with that. In UP we are already working on that. The technological part, how to do that and how to make it robust and not something which can be damaged with the water pipeline and then various methodology whether it can be inside the pipe, outside the pipe we are working on that because there is no hurry to come up with the solution with that. We are working with the solution we worked and it could be different in different parts of the network so we are working on that. The topology of the Madhya Pradesh network is little different, but you would still work on that kind of a solution. So it is a two year thing which is to be completed and work would start in the months' time.

Saket Kapoor: As you have earlier mentioned that we will be more inclined towards the product segment and more R&D and being done there only. So how would the revenue profile look forward? I think so now with this participation in the Jal Nigam projects, What should be the likelihood and the percentage in the revenue mix?

Mahendra Nahata: Look, as I said our overall strategy is that product revenue should increase and then spending of the company in R&D, in cable, as well as your products which is telecom products and defense products also. Of course when I say 70-30 the ultimate objective about 30 bring from the projects where good cash flow projects like what we are going to do for Jio, a very good cash flow. Now at the same point of time, there are things like for example current quarter the revenue price is low and the reasons which I have already explained, I need not go in detail again. So current year as this quarter 3 also I expect it to remain almost like that, quarter 4 is going to improve that is my expectation and Q1 onwards from the next financial year, so different scenario altogether with so many products coming in market the scenario would be completely different. So this year, it could come about 50-50 or maybe a little better than that. Next year I think I should be able to go into a 60-40 situation then leading to 70-30 situation.

Moderator: Thank you. The next question is from the line of Parth Mehta from MCap. Please go ahead.

Parth Mehta: Sir, I just had a couple of questions. The first one is when we are going to launch these new products be it on the defense side or the 5G side, will we need any kind of Capex or investment to convert those launched products to revenues, which we are probably looking at INR800 to INR1000 Crores of revenues in the next financial year.

Mahendra Nahata: There will be some capacity required which is INR50 to INR60 Crores around you can say less than INR75 Crores.

Parth Mehta: INR75 Crores of Capex would give us a revenues of INR800 to INR1000 Crores.

Mahendra Nahata: Absolutely, because a lot of money spent on R&D, there is also Capex, it is not only machinery, we said how you design the product, that is also very, very important and I could have done without this INR75 Crores also going for contract manufacturing when I say. But since I have to take advantage of the DLI incentive which has been sanctioned to the Company of almost INR600 Crores, that is why we have to establish the manufacturing facility so that we can take advantage of that INR600 Crores of sanction to get that.

Parth Mehta: My second question and the final one is after the new capacity for OFC and OF comes on stream next year, how much revenues are we looking at these prices where they have corrected in the last quarter?

Mahendra Nahata: I am looking something around INR2800 to INR3000 Crores which includes the optic fibre cable,fiber and also accessories which are sold together with fiber optic cable. So this is what I am looking for around INR2800 to INR3000 Crores.

Parth Mehta: At the expanded capacity.

Mahendra Nahata: At the expanded capacity. That would increase further, next year, it would increase further.

Parth Mehta: So next year only I am asking that how much do you think after the expansion.

Mahendra Nahata: I am talking about next year only, but then year next to that it is going to increase.

Parth Mehta: So year next to that how much will that increase from INR3000?

Mahendra Nahata: Pardon me.

Parth Mehta: In FY2026 how much are you expecting from these.

Mahendra Nahata: I would say the another couple of INR200 to INR300 Crores more.

Parth Mehta: Ookay. Thank you so much, sir. That is all from me.

Moderator: Thank you. The next question is coming from the line of Jheel Thakkar from Nirzar Securities. Please go ahead.

Jheel Thakkar: Thank you for the opportunity. Sir, I just wanted to know what is the optic fiber price and volume compared to the previous year and also I would like to know are we bidding for KAVACH.

Mahendra Nahata: Railway that is the signaling equipment, not telecom. So far no, if KAVACH has telecom part we will be definitely bidding for that. When it comes to the realization of fiber, in terms of pricing, as I said that pricing has gone down by roughly about INR100 per fiber kilometer in terms of realization. So what was cable, I am talking of cable, what was the realization about INR1300 per fiber kilometer equivalent cable has gone down to INR 1200. But when we go upon what count of fiber and all that, this is average. In terms of price of fiber per kilometer, it has gone down from Q1 to Q2. Earlier it was about INR380 per kilometer. Now it has become around INR355 per kilometer. That is the fiber price I am talking about.

Jheel Thakkar: So right now you can say it is about INR1300.

Mahendra Nahata: Right now, the price of fiber cable, I am not talking of fiber. Price of cable per fiber kilometer, it is about INR1200 – 1300 on an average. But it is again as I said, it is average for us. Somebody have a different average because somebody might have sold fiber of lower count where price would be different, higher count price would different company to company and construction to construction for us it has gone down by INR100.

Jheel Thakkar: And how much was this last year.

Mahendra Nahata: INR 1300 - 1500.

Jheel Thakkar: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Pranay Gandhi from Green Portfolio. Please go ahead.

Pranay Gandhi: Good evening Sir. I hope you are doing good. My first question is in regards to the defense segment as we just discussed that the company is actively bidding for tenders and going for product trials as well. But I want to understand what kind of numbers are we looking at? I understand it is difficult to comment on it before we get the tenders, but I just want to understand the scale of tenders that the company participates in. Could you please give an insight on that?

Mahendra Nahata: Scale of tenders you ask me what we have participated and what we expect to participate in, let us say this current financial year would be roughly about INR7000 to INR10000 Crores. Participated and expected to participate both I am putting together about INR7000 to INR10000 Crores. Now how much order that we will get this is anybody's guess.

Pranay Gandhi: Even if we participate at that number and I know in a real case scenario in real world it is not, I hope it happens but the company will not be able to secure all the orders. But even if it does, is it in a position where it can deliver that number.

Mahendra Nahata: Let us not even expect to get all those numbers. So I would not say that we are in a position or not. I would be very happy even if I get 15% or 20% of that. We are very, very happy with that and that we certainly would be in a position to deliver.

Pranay Gandhi: And in next few years, do we see that number increasing in terms of our scalability?

Mahendra Nahata: Sure, because we will be increasing our product range. One more decision we have taken, in defense we are not only going to depend upon product which you design, we are going to do the transfer of technologies also taking technology from outside for our manufacturing like the BMP 2 which I talked about is nothing is manufactured by us, it is all partnerships. But yes system integration would be done by us. So we will take more such opportunities because defense products are very complex products and goes through testing cycle which are so strict and sometimes unrealistic also let me be very frank, very unrealistic also which is not even required. But it is their prorogative. So to design the things and go through those cycles all the time for every product is not possible. It is better you take technology transfer also with proven products and increase the revenue through them also. So is it two pronged approach one is our own product. Second is ToT. So like this BMP 2 there is to transfer technology but system integration by us. We expect to do more such projects for ourselves coming up in future.

Pranay Gandhi: Thank you so much, Sir. In regards to telecom equipments, I understand you previously mentioned that market is huge, it is bigger than the optical cables at trails. So what are the products that we feed our flagship products or the products on which we will have competitive advantage and the scope beyond FY2025 beyond INR1000 Crores revenue mark, could you please comment on that.

Mahendra Nahata: Look flagship products like for example the product which we are currently doing. We launched UBR unlicensed band radio for the first it is being tried. Not only we tried is being commercially used for backhauling the 4G and 5G traffic and even the Qualcomm which is original chip supplied,they were also amazed. I had a meeting with the Qualcomm people last week only, they were very senior people. Number two and number three people had come from US. They were amazed the kind of use case we have shown here for the unlicensed band radio which they had not done anywhere else in the world, which we are able to do in India and the product is used for backhauling the 4G and 5G traffic which has not happened anywhere else in the world. We have been able to build radios which is giving multiple GBPS of backhaul traffic of 4G, 5G, so that is going to have a good demand in India and many other countries. Wi-Fi 7 which we have developed last year but now we are making a cost reduced version of that because at that time what chipset were available in the market price was so high, this was not effective for home switch. There might have new chipsets have come, we are going to rationalize that and that is going to be a flagship product. For more much more importantly the 5G wireless customer premises equipment which are development. Not under development, some of the development is already done which is under trial and a couple of other versions of that would be coming into for field trial in next one month. I expect very, very good demand coming out of that though I am not willing to give any numbers, but it can be much more than the overall turnover I have assumed from our product next year. The one product itself can be more than that, such is the high demand for those products. So, 5G related products, unlicensed band radio, Wi-Fi, routers, routers have huge demand opportunity in BharatNet. So BharatNet whenever comes up indigenously designed products and I think we and only one more company has indigenously designed products for routers So whenever this BharatNet comes demand is going to be more than a lakh of routers. So I believe there would be good demand opportunity for routers also. So these are things which I can say that very good demand opportunity is there. Now how much we will be able to take up and how much we will be able to sell is too premature to say, but yes, INR 800 to INR 1000 Crores is nowhere, is very, very pessimistic. We can do much more than that. If my sales people are not able to do that also after products being developed, they are deserve to be sacked I do not think they are that bad. They should be able to do more than that.

Pranay Gandhi: That sounds clear and good luck with that. So I just have one request. We were trying to schedule a plant visit or a meeting with the management. We have not been able to secure one. Who is a concerned person, I can get in touch with.

Mahendra Nahata: Yes, you will get in touch with Amit Agarwal our Head of Investor Relation and he would be too happy to organize your visit. If you want to visit Fiber and Cable both visit Hyderabad. Where are you based?

Pranay Gandhi: We are based out of Gurgaon.

Mahendra Nahata: Gurgaon then visit Hyderabad or Chennai whatever you want.

Pranay Gandhi: Ok. Thank you so much, Sir, and good luck.

Moderator: Thank you. The last question is from the line of Priyansh, who is an individual investor. Please go ahead, Sir.

Priyansh: My first question is regarding this extension of optical fiber and fiber cable. So in which month are we going to complete it, number one. Two, what kind of additional turnover we will be generating from this?

Mahendra Nahata: This fiber manufacturing, the completion is expected going by stages, but partly it would be completed in let us say July 2024 and partly it will be completed in January 2025. It is in two stages we are doing the expansion and the stages because of delay in machine delivery. So that is going to happen, but it is going to be in two stages. In the cable manufacturing, it would be completed in the stages in financial year 2024-2025. In stages I said because of different kind of cables which we are going to be manufacturing, so deliveries are for different machines. So it is stages, we are doing 2024-2025, it would be completed. If you compare the present revenue and the expanded revenue difference could be roughly about INR800 to INR1000 Crores.

Priyansh: So you are saying that like additional incremental revenue will be INR800 Crores to INR1000 Crores from the cable.

Mahendra Nahata: Yes and accessories, cable plus their accessories.

Priyansh: In a full financial year. My second question regarding this 5G equipment which we are manufacturing, so just the on a like a rough understanding how many number or how many types of equipment are we developing now and whether all the equipment will be launched within this financial year or something will go to the next financial year also, this number one and two, whether there is any impediment or hurdle which can delay this.

Mahendra Nahata: Look the number of equipment if you take theere are categories and thereare sub categories. But if I include sub categories, if I take just the categories, the categories would be Wi-Fi, UBR, 5G customer premise equipment, Wi-Fi, HMR, there will be a six or seven categories of communication equipment, but when include sub categories within that category it could be more than 25. So it is something like that. Now in terms of impediment, it is a research and development. R&D is always something which you cannot always succeed in the first time. Sometimes you may, sometimes you may not. There are 50% of the cases you succeed first time, 50% cases you make modification and then you succeed. So there is no impediment as such that there is something which you will not succeed at all. You will succeed. Sometimes it gets delayed and that is true with all R&D. We have seen Chandrayan mission. Chandrayan was initially a falire but then we succeeded, so some time it happens and sometimes there is delay, but finally it happens.

Priyansh: No Sir. My, only point was that since we are now approaching very soon to the end of this financial year. So like during last con call also you mentioned the same thing regarding this new product and everything. So now this idea that may be right because now we are only four, five months left, so may be the surety of launching all products like should be much more as compared to three months before that is what I am saying.

Mahendra Nahata: We are quite sure that all these products we would be launching in the current financial year there may be one or two products may be another one or two months delay but I do not expect more than that.

Priyansh: One thing you mentioned which I missed that you said that you are also developing some products which revenue which can be very huge. So if you just can kindly recap this one.

Mahendra Nahata: Yes, this is like for example 5G customer premise equipment which I talked about demand opportunity is very, very high so that one product itself can give more revenue than what I am expecting from all the products in telecommunication sector, but I am not saying that I would give but it has the potential, potential is there, but how much finally revenue comes that depends upon the order and customers and all that, but potential in just one product is there to give more than that revenue.

Priyansh: Very good Sir. Thank you so much and wish you all the best.

Moderator: Thank you. For the remaining questions the participants can get in touch with Mr. Amit Agarwal individually and now I would like to hand over the conference to Mr. Nahata for closing comments. Please go ahead, Sir.

Mahendra Nahata: Thank you very much and thanks a lot ladies and gentlemen for attending this earnings call for Q2 of FY2024. As I said this quarter in terms of product demand aberration because of lower demand of fiber optic cable, because of various reasons which we expect to improve in a couple of months in the US, Europe and India also I think there will be significant improvement. The Company has taken enough steps to increase the production capacity to supply the increased demand from its customers. Moreover, the products which we have undertaken, the design R&D for the telecom products those are also now in a very advanced stage and one-by-one they would be launched in the current financial year itself. So I expect very good revenue to come from the next financial year, not only from Indian market from export market also and there is a very, very high potential from those products for revenue to come. Moreover, programs like BharatNet which has got a total outflow of INR140000 Crores. The Capex roughly of INR40000 Crores, again there is a good demand opportunity for the Company there. Apart from this fiber to home being launched worldwide, 5G happening. So there is an immense demand opportunity and product led revenue which is the strategy of the Company is expected to really yield results not only in Indian market but export also, improve the revenue and improve profitability and improve cash flow. Moreover one of the projects which is for network for spectrum which had got consumed a lot of our existing cash flow because of delay in payments, well reasons not attributable to us. We expect that also to start project getting handed over to army one-by-one and even yesterday there was a discussion and one of the command, army command we are expected to hand over to the army before Diwali, another one before expiry of next month. So that revenue, the cash flow would also start kicking in and we are expecting that within this financial year all of the total INR900 Crores due from that project, at least we should be able to receive very significant portion of that money in the current financial year which would also improve the cash flow situation of the Company. So I look forward very optimistically for the time to come because of the reasons of product development, because of expected demand coming from fiber optic cables and increased revenue from products not only in telecom, but defense sector also in coming years. Thank you very much and thanks a lot again for participating in the call and wish all of you a very, very happy Navratri and very, very happy Diwali. Thank you very much.

Moderator: Thank you, Sir. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us and you may now disconnect your lines.