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HFCL/SEC/24-25 May 10, 2024

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 Audited Financial Results of the Company for the 4th Quarter and Financial Year ended March 31, 2024.

Dear Sir(s)/ Madam,

This is further to our earlier announcement dated April 26, 2024.

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 May 03, 2024, on the Audited Financial Results of the Company for the 4th Quarter and Financial Year ended March 31, 2024, which were considered and approved by the Board of Directors of the Company, at its meeting held on May 03, 2024.

The 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: 2024.05.10 17:09:29 +05'30'

(Manoj Baid)
President & Company Secretary

Encl: Copy of Transcript.

"HFCL Limited

Q4 FY'24 Earnings Conference Call"

May 03, 2024

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

MODERATOR: **MR. MOHIT LOHIA – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the HFCL Limited Q4 FY '2024 Earnings Conference Call hosted by ICICI Securities.

Before we begin, I would also like to read the disclaimer statement. Statements made during this call may be forward-looking in nature based on management's current beliefs and expectations. They must be viewed in relation to the risks that HFCL's business faces, that could cause its future results, performance, or achievements to differ significantly from what is expressed or implied by such forward-looking statements. Investors, are therefore, requested to check the information independently before making any investment or other decisions.

As a reminder, all participants' 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 this conference, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Lohia from ICICI Securities. Thank you. And over to you, sir.

Mohit Lohia: Yes. Hi, good evening, everyone. Thank you, Neha. Thank you for joining us today for quarter 4 FY '24 Earnings Call of HFCL Limited. First of all, I would like to thank management for giving us opportunity to host this call. From the management side, we have Mr. Mahendra Nahata, Promoter and Managing Director; Mr. Vijay Raj Jain, Chief Financial Officer; Mr. Manoj Baid, Company Secretary; and Mr. Amit Agarwal, Head of Investor Relations.

So without further delay, I would now like to hand over call to Mr. Mahendra Nahata for opening remarks. Thank you, and over to you, sir.

Mahendra Nahata: Thank you so much Mohit and thanks everybody for joining our call. Your time is very valuable. I am thankful that you all could join our quarterly call for Q4 of FY 24 as scheduled.

I am delighted to welcome you all to HFCL's earnings call for the fourth quarter and year-ended FY24. I trust 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.

It is a matter of great satisfaction that despite the tough global macro environment, Indian Economy is having robust growth and India is poised to become the third-largest economy by 2027 as per the IMF, surpassing Japan and Germany.

During the Interim Budget 2024, the Union Finance Minister underscored the forthcoming five years as a period poised for unparalleled development, aligning with the vision of Vikasit Bharat@2047 she highlighted that technology, alongside the telecom sector, will play a pivotal role in India's transformative journey.

The Indian telecom sector is undergoing a transformative change and will continue on its expansion trajectory, fueled by the liberal government policies, proactive Government initiatives focused on national priorities including BharatNet Phase – III Programme & PLI scheme. Government's initiative of promoting Semiconductor manufacturing in India will fuel long term growth for Telecom Sector. Hyper scaling of data centers, increased smartphone usage, strong customer demand for high-speed internet connectivity and 5G network expansion will further fuel the growth of Telecom Sector. The economic impact of 5G to India's GDP could reach up to USD 450 billion by 2040, according to Deloitte's Technology, Media, and Telecommunications (TMT) Predictions report 2023.

FY24 has indeed proven to be a pivotal year for HFCL. Our strategic investments in Research and Development have yielded significant returns, resulting in the introduction of a comprehensive range of 5G connectivity solutions and products tailored specifically for telcos and enterprises, both in India and across global markets. Led by innovation, in FY24, HFCL successfully launched the first Made-in-India 5G Fixed Wireless Access (FWA) Customer Premises Equipment (CPE) portfolio, 1 Gbps Unlicensed Band Radio, IP/MPLS Routers, and introduced the innovative 1728 high-fiber Intermittently Bonded Ribbon (IBR) cable. Our 5G Fixed Wireless Access equipment gives market leading performance in delivering higher throughput. We have introduced hot swappability features in our Routers making them rugged for use in Rural areas in projects like BharatNet. On overall I view the result our R&D team has achieved is a milestone showing we have talent and capability to deliver latest technology products.

We believe demand of 5G Fixed Wireless Access (FWA) Customer Premises Equipment (CPE) is at an inflection point and has become an important use case for 5G monetization both in India and globally. With 5G network rollouts continuing its dream run, monetization has been a key focus area for operators. Industry reports indicate, FWA connections worldwide are projected to increase to 330 million by the end of 2029. As the transition to 5G continues and newer technological standards gain traction, telcos are projected to invest USD 342.1 billion in their networks in 2027 alone, as per PWC report.

Every country has different type of specifications for FWA CPE. Our Company has been able to develop different types of variants of FWA CPE, and is uniquely positioned to manufacture and supply both for India and international markets. HFCL has already received order for 6 lac units of this equipment.

One of the landmark success story of HFCL's R&D efforts has been Design and Manufacture of Point to Point Unlicensed Band Radio. We have achieved record market share for this product in India. More than 5 lakhs of these Radios have already been supplied by HFCL and are working to the full satisfaction of Telecom Operators for Network backhaul and enterprise connectivity. HFCL is not only the largest supplier of these Radios in India but also can be counted amongst the leading suppliers around the Globe. We are continuously receiving strong feedback from our customers for its low power consumption and zero spectrum cost.

It is also worthwhile to mention that through its R&D and collaborative efforts, HFCL has created full solution of Enterprise Networking Products. These products include WiFi Access Points, Routers, Switches, Backhaul Radio and Network Management System.

Having established its name in Telecom Service Provider's market, HFCL with its enterprise product range is now aggressively moving into Enterprise Market of Telecom Networking Products. Distributors and channel partners are being appointed throughout the country to reach to wide spectrum of Enterprise Customers both in Government and Private Sector. Opening of this new customer segment will provide higher sustainability to revenue. With the introduction of new products and markets, our revenue from Telecom Equipment Segment is expected to rise substantially. We expect the revenue from this segment during FY 25 will reach to approximately Rs.2000 Crores from Rs.150 Crores of FY 24.

Driving growth through innovation is fundamental trend in Digital Economy. These trends are bringing very large opportunities for innovation and growth not only for HFCL but for the entire eco-system.

The optical fiber cable market remains a significant opportunity both in India and globally, driven by high speed internet penetration, 5G network expansion, growth in data centers, Bharat Net Phase III, demand for FTTH and global opportunity in key markets propelled by government policies. Development and manufacture of 1728 fiber based Optical Fiber Cable will open new market opportunity for sale to Hyper Scale Data Centres. In alignment with our strategy of expanding capacities and geographical access, HFCL has announced the setting up of an optical fiber cable manufacturing plant in Poland to address the increasing Optical Fiber Cable demand in European markets. Mirroring the trends in the Indian OFC market, the European countries are also on a significant digitization drive as national priority. Committed to meet this growing demand and contribute to Europe's digital future, HFCL has committed an initial investment of up to Euro 15.9 million (INR 144 crores) for its Poland optical fiber cable manufacturing plant with an initial capacity of 3.25 million fiber km which is further scalable to 7 million fiber km capacity.

Our Fiber and Fiber Optic Cable manufacturing facilities are producing world class cable and fiber. Our Fiber manufacturing plant has set new standards of productivity.

One of the most anticipated opportunities on the horizon is the government's ambitious Bharat Net Phase III project under which BSNL has already floated approximately Rs.60,000 crore tender for capex to be incurred in next 3 years followed by additional O&M opportunity worth approximately Rs.40,000 crore over a period of 10 years. BSNL's Bharat Net Phase III project tender presents a huge opportunity to HFCL as it will strengthen the demand for optical fiber cables, telecom networking products, system integration services, and annuity revenue through O&M all of which are in alignment with HFCL's core strength. HFCL is uniquely positioned to offer end-to-end solutions that meet Bharat Net's stringent requirements. We foresee good prospects for us given our vertically and horizontally integrated manufacturing capabilities in optical fiber cables, its accessories, telecom equipment, and SMPS through one of the group company coupled with vast experience of laying more than 2 lac Kms Optical Fiber Cable for various telecom operators. We are optimistically looking forward to securing a substantial pie of this opportunity.

Export of products is going to be our cornerstone for increasing revenue. HFCL is already exporting its manufactured fiber optic cable to more than 40 countries. With its own designed Network Connectivity Solutions including 5G Networking Solutions, HFCL is now poised to start export of these products to a number of countries. Capability to customise the products to customer's requirement and also low cost base provides positive outlook for HFCL. With the release of every new version of software tuned to customer's requirement we improve product performance.

I think these opportunities are just the tip of iceberg and there are far more opportunities to come. We are confident of durability of demand drivers of Industry and our capability to take advantage of same for increasing our Sales and Market share.

Driven by the vision to fortify national security and contribute to India's defence sector, HFCL envisions significant opportunity for itself in Defence Sector with innovation and tie up with leading international companies. India accounts for 3.7% of global military spending, making it the third highest military spender in the world after the U.S. and China. This presents a significant market opportunity to HFCL.

In alignment with the Government's Make in India policy, HFCL has already developed Electronic Fuses, High Capacity Radio Relay and Thermal Weapon Sights all of which have good demand in Indian and International market. HFCL at its 90% owned subsidiary Raddef has developed state-of-the-art Ground Surveillance Radars which is an important component of modern surveillance systems. This Radar designed by Raddef is a vast improvement in technology over the current generation of Radars being used in India. Our ongoing R&D initiatives extend to a diverse range of radar technologies including development of Drone Detection Radar, Doppler Weather Radars, LTE-based Passive Radars, Fog and Foliage Penetration Radars, Coastal Surveillance Radars and Avalanche Detection Radars.

We have also successfully cleared the User Trial Readiness Review for the BMP 2 Armament Upgrade Project of the Indian Army further demonstrating our commitment to meeting the defense sector's requirements. This will lead to more opportunities and prospects for HFCL in defence sector.

We are also exploring opportunities for development of more products in defence sector and we are confident that we will be able to further grow and contribute to India's defence sector with our own development and new alliances. I am of strong belief that in the current year we will have good growth in Defence Sector and it will achieve escape velocity.

During FY24, the Company added an incremental order book of ~INR 3725 Crores comprising of products orders worth more than ~INR 1500 Crores and System Integration orders worth ~INR 2225 Crores .

Our Products business has secured a purchase order of INR 623 crores for the supply of indigenously manufactured 5G networking equipment. This is first such large order for 5G networking equipment placed on any Indian company by any telecom service provider. This strategic win is a testimony of HFCL's vision of designing and manufacturing high technology telecom equipment in India. HFCL has been investing in building portfolio of 5G networking equipment which transforms telcos' access, transport and last-mile networking requirements.

HFCL also secured a purchase order worth INR 141 Crore from BSNL to supply indigenously designed and developed Unlicensed Band Radios in 5Ghz frequency band with 1GBPS capacity. This land mark deal aims to build their 4G network infrastructure, ensuring cost efficiency by minimizing equipment expenses and eliminating hefty spectrum usage charges. This significant win solidifies HFCL's position as a leader in indigenous 4G and 5G backhauling solutions.

SI order book comes from prestigious order valued at INR 1,127 Crores from Bharat Sanchar Nigam Limited to transform the Optical Transport Network infrastructure across BSNL's Pan India network and position the telco for the future in anticipation of its 5G services.

HFCL also secured INR 1,015 crores order from Madhya Pradesh Jal Nigam which encompassed System Integration services including provision for laying of optical fiber cables on critical and important routes. Further, having had a strong track record in deploying communication networks for various railway projects globally and domestically, HFCL also secured INR 80.92 crores order from Delhi Metro Rail Corporation. These substantial wins underscore HFCL's sustained momentum and solidify its position as a trailblazer in advanced communication technology solutions.

Our order book now stands at INR 7685 crs as of 31st March 2024 as compared to INR 7010 crs last year. I must tell you that behind these numbers is relentless work by the entire team for development of new features and product innovation. We are very structured in our approach to business. The Product and Sales teams are working closely than ever. We remain incredibly focussed on Sales and growth of Market Share.

Further HTL Limited, one of our subsidiary company has successfully secured various prestigious orders in its wire harness business during FY24 with its focus on Automotive, Aerospace and Defense space. As you may be aware that this segment is a low capex and high-revenue generating segment, we strongly believe that this wire harness business can grow manifold in the years to come.

Given that HFCL had received an approval to avail incentive participation in production-linked incentive scheme, the Company will start receiving PLI benefits in the current fiscal year on production of Telecom and networking products.

Let me now brief you on the key performance metrics

- For the twelve months ended 31st March 2024, the Company reported consolidated revenue of ₹ 4465 Crores as against ₹4743 Crores in FY 2023, EBIDTA of ₹ 682 Crores as against ₹ 666 Crores in FY 2023, Profit before Tax of ₹ 454 Crores as against ₹ 431 Crores in FY 2023 and Profit after tax of ₹ 338 Crores as against ₹ 318 Crores in FY 2023.

- Revenue for Q4FY24 stood at INR 1326 Crores as compared to INR 1032 Crores in Q3FY24 and INR 1433 crores in Q4FY23

- EBITDA for the quarter stood at INR 209 Crores as compared to INR 163 Crores in Q3FY24 and INR 168 Crores in Q3FY23; EBITDA margin stands at 15.78% for Q4FY24 as compared to 15.83% for Q3FY24 and 11.74% in Q4FY23

- Profit before tax for Q4FY24 stands at INR 149 Crores as compared to INR 108 Crores of Q3FY24 and INR 109 Crores in Q4FY23; PAT margin stands at 11.27% in Q4FY24 as compared to 10.45% in Q3FY24 and 7.60% in Q4FY23

- For Q4FY24, profit after tax stands at INR 109 Crores as compared to INR 82 Crores of Q3FY24 and INR 79 Crores in Q4FY23; PAT margin stands at 8.25% in Q4FY24 as compared to 7.99% in Q3FY24 and 5.49% in Q4FY23

- Segment revenue for telecom products during the quarter stood at INR 362 Crores (27.33 % of Q4FY24 revenue) as compared to INR 364 Crores (35.24% of Q4FY23 revenue)

FY 23-24 has witnessed slight decline in YoY revenue due to the softening in demand of Optical Fiber Cables. This temporary decline is in line with the worldwide trend. It is attributed to inventory built-up with major operators, resulting in an overall reduction in revenue in absolute terms.

Our growth is driven by three independent drivers which all are working together. These are robust investments in research and development, backward integration with capacity expansion and expanding national and international presence. With these growth engines we have been able to significantly improve on revenue mix; product mix; geographical presence and customer mix ensuring sustainable growth in times to come. We remain confident of opportunities ahead and execution of our long term strategy.

We are confident that OFC demand will be restored from Q2 FY 25 onwards in both India and key global markets. Furthermore, we are confident that our continued efforts in designing and developing innovative and geography specific optical fiber cables for international markets, along with the introduction of new 5G telecom networking equipment and defence products, will further yield results in coming quarters. These efforts are expected to provide impetus to both revenue growth and profitability along with the potential to increase our margins. Our outlook is very bright and we look forward to a very strong year ahead.

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: The first question is from the line of Parth Mehta, an individual investor.

Parth Mehta: Sir, I have a couple of questions. The first one is, this time, we have executed services turnkey contracts worth from INR990 crores. So I wanted you to shed some light on that as in we have done better on services margins front as compared to products? And is it the way forward? Or is it a one-off kind?

Mahendra Nahata: Look, we have executed INR964 crores of services in the current quarter and margins have also been good. These margins, I cannot give you a definitive answer that this trend would continue or there will be reduction because it all depends on contract to contract. Sometimes contracts are there, which are of high margin, high profitability. Sometimes they are of lower margin and lower profitability. So there cannot be any definitive answer to this but yes, we look for reasonable margins to continue in our contracts and we are not taking contracts, which are with a lower margin.

Parth Mehta: Okay. So is this anything to do with the orders that we have got from BSNL worth INR1,100-odd crores? Is it execution on that front or?

Mahendra Nahata: No. Execution of that order would be in the current year. That execution has not even started significantly.

Parth Mehta: Okay, that would start in this quarter, June quarter? Or it will take some more time?

Mahendra Nahata: Starting in the current quarter, in the June quarter.

Parth Mehta: Okay. And the mix of products and services would remain 70-30 going forward whenever as and when the optic fiber cycle turns?

Mahendra Nahata: I think this year, there will be very transformative change. One of the important factor, which is going to happen, as I said in my opening remarks, last year, the revenue from telecom products were only about INR150 crores. So this year, we are expecting revenue of INR2,000 crores from the telecom products. So that INR150 crores reaching to INR2,000 crores.

Parth Mehta: Is that INR2,000 crores including OFC or?

Mahendra Nahata: No, without OFC, that's why I used telecom products. Now, OFC also, we are expecting revival of market this year globally and India also, most of globally, and we expect a revenue again more than INR2,000 crores in the current financial year from optical fiber cable business. So there is a potential of product business reaching to INR4,000 crores plus in the current financial year. Which would mean that our revenue would consist of more than two third of the product driven and less than one third of project driven. And this trend is expected to continue in the future.

If you recall that I have always been saying that our effort is always to develop the product business, not as much the project business. Last year was an aberration because of lower demand of fiber optic cable and new products had not been sent to market, there were undergoing test trials and all that. With the new telecom products, which have been designed by us already in the market now and also fiber optic cable demand picking up, and both these segments will give possible revenue of INR2,000 crores each in the current year. This would be a very, very transformative change. There is almost 70% of revenue coming from product business, which is cable and the telecom products. But the important point is first time we would have such a high revenue coming from telecom products.

Parth Mehta: Okay. So my last question is, have we executed anything from Madhya Pradesh Jal Nigam order that we have received?

Mahendra Nahata: A very small portion, probably about INR50 crores, little less than INR50 crores.

Parth Mehta: And the BSNL order that you have INR1,100 crores order, that is mix of products and services, right?

Mahendra Nahata: Yes, it's mix of products and services.

Moderator: The next question is from the line of Balasubramanian from Arihant Capital.

Balasubramanian: Sir, my first question regarding, like we have seen a lot of strong tower additions by one of tower infra players, so majorly led by rural expansion and 5G rollout. And so what kind of demand and business opportunities we have in this tower rollout? And please share like, what kind of business share we have from telecom player Jio, Airtel, Vodafone and BSNL?

Mahendra Nahata: Look, tower rollout companies like Indus or these companies do not represent any major demand opportunity for us because tower is more like construction of towers, which we don't do so much and also not so much of fiber optics cable and all that. So that does not represent any great demand opportunity for us tower per se.,but when you ask about telcos, who are themselves building towers, like Jio, for example. There will be demand opportunity for us because they connect all their towers with fiber optic cables or wireless, both these areas, we are present and we supply equipment to telecom operators, whether it is fiber optical cable or backhaul radios.

There really the demand opportunity come for us because typically tower operators do not provide transmission, neither fiber nor wireless. They just provide a tower and the equipment are fitted by operators. So our segment is the telcos, not the tower operators. So if there is a increase in towers with telcos, there is strong demand opportunity for us, and where we will continue to receive such orders.

Balasubramanian: Okay, sir. Sir, on the press release, like you've mentioned, inventory built up will clear from Q3 FY '25 onwards, so what is the triggers are there to clear those inventories on operators levels? Especially you can share what kind of environment in Europe, U.S. and China and other markets?

Mahendra Nahata: Look, inventory would get cleared up with this increase in demand of fiber optic cable. With this demand increasing, this inventory will automatically get cleared-up.

Balasubramanian: Sir, on the price levels for optical fibers and optical fiber cables. Earlier, we have mentioned in the call optical fiber is around INR250 per kilometre.

Mahendra Nahata: No. INR250 was the fiber not cable.

Balasubramanian: Yes, fibers and OFCs is around 950 level. So what is the price range right now? And are we see any improvement?

Mahendra Nahata: This fiber price remains around the same INR250, INR260 per kilometre, almost. You can say that INR250 to INR275, depending upon who is the manufacturer and how good is quality and all that. And as far as cable is concerned, it is around INR1,000 . Some will have a little bit more, some would have a little bit less. But it is around INR 1,000 per fiber kilometre of cable.

Balasubramanian: Okay. Sir, on that Poland plant, you mentioned it's around 15.9 million, it's an euro or dollar terms?

Mahendra Nahata: Euro.

Balasubramanian: Euro terms. Okay. So sir, in this 3.2 million fiber kilometer capacity, what kind of peak revenue potential in those plant?

Mahendra Nahata: About INR350 crores.

Balasubramanian: INR350 crores. And this scaling up of to 7.5 million, when it's expected sir, with 3.2 million and 7.5 million, any timeline?

Mahendra Nahata: I could not understand your question. Be a little clear when you speak to us.

Balasubramanian: Sir, like execution time line for those capacity completion.

Mahendra Nahata: Yes. So 3.25 million capacity, we are targeting to start manufacturing from April of next financial year.

Balasubramanian: Okay, sir. Sir, and the overall, we have seen that when we can expect this large order inflows from new telecom products and the defense side?

Mahendra Nahata: We already have significant order book for our new telecom equipment products. Of the INR2,000 crores revenue I'm expecting, we have more than INR1,500 worth of order already in our hands, more than that, about INR1,700 crores. So expectation of INR2, 000 crores of revenue from this telecom equipment product is not a problem at all.

In fact, we will be much higher than INR2,000 crores which I'm not projecting but when you have INR1,700 crores of worth of order in hand a whole year is there, 11 months of the year are still left. You can definitely expect more orders which would be executed in the current year itself.

So there's already a robust order book. And I expect as we start supplying of some equipment like fixed wireless access equipment as mentioned of INR600 crores order, I expect more orders to come. And also export is a good potential for these equipment. They're also reasonably good export orders. So order book is already there, but we will as we supply we keep on getting more orders.

Balasubramanian: Got it. Got it. Sir, under balance sheet we have seen capital work in progress around INR154 crores and how much capex we have spent in this financial year and how much we are planning for '25 and '26?

Mahendra Nahata: So we have already spent about INR140 crores of capex in this financial year. And total capex expected in the next year 2 years is about INR900 crores.

Balasubramanian: Okay. Got it, sir. One last question any plans to enter in interconnect cable?

Moderator: Sorry to interrupt sir. I request you to come back for a follow-up question.

Balasubramanian: Thank you.

Moderator: The next question is from the line of Himanshu Jain from Tiger Assets. Please go ahead.

Himanshu Jain: Am I audible, sir?

Mahendra Nahata: Yes, you're audible, Himanshu perfectly audible.

Himanshu Jain: Congratulations on great set of numbers, sir. I have two questions. One what is the expected order book completion time line and the second one being what is the expected rollout time according to you for 100% 5G rollout in India?

Mahendra Nahata: Expected timeline of order is different in different orders. There are so many orders. It's not one order. So for example, this order for fixed wireless access we expect about 5 months' timeline to complete that, about 5 months now this can be 6, this can be 4.

For BSNL order book for INR1,100 crores we take at least 8 months to 9 months time for completion. Second, orders for this turnkey contracts we expect about a year to complete. So different timelines are there for different orders. The BSNL order for UBR we expect a timeline of 3 months to 4 months to complete. So this extends from 3 months to 12 months in different orders and different timeline.

And your second question was when would the 5G network deployment will get completed. Himanshu, network deployment never gets completed, it always continues. As the subscriber increases more numbers of towers are required, more numbers of base stations are required, and more connectivity solutions are required.

So this keeps on going on and while this is going on there is a change in technology like 4G happened and then 5G has happened. Earlier 3G was there, 4G came, 4G after that 5G has come, 5G is there, now 6G will come. So this will ever continue. This is not going to change at all.

And this is good for us. Imagine there was nothing after 4G, there's only 4G. Then the demand would be much less, there would be no demand of new equipment, new technologies. So 5G has come, there is all of a sudden increase in demand of equipment, there is increase in demand of services, 6G, will come it will further increase the demand and demand for equipment and services both. So this cycle will keep on continuing forever.

Himanshu Jain: Thank you sir. That’s it from my side. Best of luck for the future.

Mahendra Nahata: Thank you.

Moderator: The next question is from the line of Siddhant Singh from Green Portfolio. Please go ahead.

Siddhant Singh: My first question is regarding your defense products? So could you provide an update on the current status of the defense products that are under development? And what we can anticipate about contributing them as a top line of our business?

Mahendra Nahata: Siddhant, let me answer your first question on products. We have electronic fuzes which are now completely ready. We have already produced 200 fuzes for trials testing in army firing ranges. We have already deposited almost INR 2 crores to buy ammunitions for trial and we are asked for firing range, it needs to be fired by Bofors guns and similar kind of guns.

So you need a firing range of 30 kilometers, 40 kilometers, 50 kilometers without habitation. So we expect that to be given to us sometime either end of this month or the next month, and a test firing will happen by the Indian Army. And we see very good potential for this product in India, but more than in India in export market. And I'm not really budgeted anything in my projection for the next year or the current year, but still, though not budgeted in our Annual Operating Plan but I still see a very good future for this product for export even in the current financial year.

As people have come to know that we are going to produce fuzes, I already started receiving inquiries for lakhs of fuzes. I'm already receiving inquiries. So there is a huge demand potential for these fuzes from export market which would be running in 100s of crores. I'm already receiving inquiries which I am not responding back right now except general discussion.

First I want fuze to be tested and all approved which is certainly going to happen, but demand potential is very high, more outside India than in India because of the global geopolitical environment which is happening as you know very well. So I have a huge demand opportunity for fuzes in my hand number one. Number two, thermal weapon sights which is in a layman words, night vision devices for short rifles, machine guns, and rocket launchers. We have participated in a number of tenders which are undergoing trial right now. When the trials are over then, of course, tenders will be opened and we expect to receive some orders for that.

Then we have radars, high-capacity radio relay. Radars, as I said in my presentation is developed by our subsidiary 90% owned subsidiary Raddef located in Bangalore. Those radars have been designed for various kind of applications because this ground surveillance radar, for example, is a real breakthrough in technology. Currently, the radars of similar kind being used are weighing 30 kg to 35 kg. What we are designing with better features and better performance is weighing only several 7 kgs or 8 kgs, one man can lift and take it anywhere. So you can imagine the kind of technology innovation we have done.

Now the ground surveillance radars have got with different variations also, coastal surveillance radars. We are talking to many of the defense established fund for the supply of that, I cannot name them now, but we are talking. We have another radar coming up in the next 6 months time or so, drone detection radar. How important the drone warfare has becoming in current times whichever fight you'll see happening war happening anywhere in the world, drones are becoming the important method of attack.

Now, therefore, detecting incoming drone is a major issue. So our drone detection radar which is under development and is in final phase of software development that will again have the ability to look into 10 kilometers and 100 objects can be detected simultaneously. So that is happening.

Radio relay is another equipment which is required by army, high capacity radio relay. And with a defense we have just installed new machines in our fiber optic cable manufacturing facility in our subsidiary HTL which is going to these two machines are going to produce special type of fiber optic cable required by defense sources. If even a tank rolls over that cable nothing happens to that cable that kind of cable we will be manufacuturing. We are manufacturing a special type of cable, this is called tactical fiber optic cable used by the army in the field.

So these are some of the defense products I've just mentioned. Apart from that, in our system integration business for defense services and defense electronics we've already gone through user trial readiness review by army for upgradation of armoured personnel carrier BMP-2 and we are completely successful in that.

Now tender would come we will participate, trials will happen then only we'll see the face of the order if we win. But yes, these are the opportunities ahead of us. And as I said, as much are opportunities in Indian market, India has been the third large spender of defense with about USD90 billion of spending every year.

There are huge opportunity in the export market also. So I look forward to defense business quite optimistically but I have not projected any revenue from that in the current year, but I certainly hope we will get revenue in the current year, it may not be very big because this trials and all these things are going to happen. But next year onwards, I expect defense revenue to reach to higher 3-digit numbers.

Siddhant Singh: Okay, sir. And sir, do you have a confirmation for ammunition fuzes for its delivery in next month? Sorry.

Mahendra Nahata: No, no, I didn't say next month. I said trial in next month. Not delivery.

Siddhant Singh: Okay.

Mahendra Nahata: Trials and we're ready.

Siddhant Singh: Okay, sir. And what is the average? Can you give me the average price of a fuze ?

Mahendra Nahata: That's very difficult. There are 9 different kind of fuzes, 9 different kind of prices. There is no single price and prices also vary market to market. In India it's something, in export it is something else. So but in general, I can say they are from INR5,000 to INR20,000.

Siddhant Singh: And sir my last question is that you have any plan onto.

Moderator: Sorry to interrupt you, sir. I request you to come back for follow-up questions. The next question is from the line of Rajesh Agarwal from Moneyore.

Rajesh Agarwal: Sir, when will the substantial part of telecom products or new products will come into revenue?

Mahendra Nahata: So this will start from this quarter but from quarter 2 onwards, it will be a substantial part coming up.

Rajesh Agarwal: Okay. It will be optic fiber or the new products?

Mahendra Nahata: No, no, as I said little earlier, it is going to be equally divided in optical fiber and equipment both. It is going to be our estimation is that it will be INR2,000 crores from optical fiber cable or a little more than INR2,000 crores and similarly INR2,000 crores of equipment. This is going to be very transformative this year, Rajesh. First time we'll have four digit number on equipment business in the Company.

Rajesh Agarwal: And the combined margins, will combine margin goes 18% to 19%, no?

Mahendra Nahata: I am not you are talking about net margin, gross margin.

Rajesh Agarwal: Only EBITDA margins.

Mahendra Nahata: EBITDA margin would be something like, I would say, 15% or so. 15% to 17% depending upon order to order and the situation.

Rajesh Agarwal: And there was a contribution from turnkey projects also what we did in this quarter?

Mahendra Nahata: What was the question?

Rajesh Agarwal: This quarter, there's a substantial revenue from turnkey projects. So going forward also, the turnkey projects also will contribute?

Mahendra Nahata: Yes, current year, we are looking at turnkey projects of about INR1,250 crores plus INR500 crores, about INR1,750 crores to INR2,000 crores.

Rajesh Agarwal: So the combined revenue for '24, '25 may be INR5,000 crores, INR6,000 crores?

Mahendra Nahata: I would not do any forward guessing but at least I can tell you we can expect INR2,000 crores from equipment business, about same from fiber optic cable business and again, same from turnkey. Within that order for INR1,700 crores are already in my hand for equipment business, cable orders keep on being receiving in small sums. It never comes to INR1,000 crores or

INR1,200 crores or something like that. But with the revival of market INR2,000 crores plus seems to be quite certain.

And on the turnkey side,. On turnkey business, we already have orders worth of about INR1,200 crores in hand. And then the regular business of one of our customer, which is from last 10 years, it is coming INR500 crores every year, that should continue. So that INR2,000 crores is more or less assured. So if you count all these 2, 2, 2, you can guess the number yourself.

Rajesh Agarwal: Sir, what is the reason you're so bullish on the optical fiber side but the traction has not been coming for the last 1 or 2 years?

Mahendra Nahata: No 1 or 2 year, only one year. Last to last year was very good, revenue's of INR2,400 crores. This year, what happened, in anticipation that the demand would be very high, the operators and distributors have accumulated stocks and demand did not go up that high for geopolitical reason, overall recession and all that. As a result of that operators as well as distributors had a lot of stock with them. So that reduced the demand in the current year with a lower consumption and stocking, and it reduced the demand.

Now that traction has started coming back again. In US demand has already increased. If you have seen a statement by Corning pretty recently 2, 3 days ago, they are also seeing the same thing, and we are also looking at the same thing in the global market. And in India, demand would be very substantially increased, which is BharatNet, which is going to be announced in the next 1 or 2 weeks.

Tender is already there, clarification started to be given. And I think another month or 45 days' time tender has to be submitted. So that would be huge demand opportunity in terms of fiber optic cable for Indian companies.

Rajesh Agarwal: So I was reading recently article by the telecom minister. He was saying there are a lot of companies because we don't want to import telecom equipment's. So a lot of companies which have come under the PLI scheme will buy from them. So when I understood Tejas, whether the products are the same or not, they got a lot of patented products and if you see this quarter, how Tejas has completely turn around they bagged lot of orders. So same thing can happen with us also?

Mahendra Nahata: They've orders, Tejas is Tata company and the major order is from BSNL for 4G networking equipment, which is good, they have done good. And have also got good order as I said. It's a reasonably good opportunity for all of us. And if the minister statement is right and that is good for Indian companies, from India only, so good for Indian company like us.

Rajesh Agarwal: Sir, how is the bidding pipeline?

Mahendra Nahata: So bidding pipeline is good. The BharatNet alone would be INR60,000 crores.

Rajesh Agarwal: Okay. So that tender already is opened?

Mahendra Nahata: No. That is to be submitted, I believe, in about 45 days' time, then it will get open. And finalization of that is expected in some time in August.

Rajesh Agarwal: So can we see the R&D facilities or no? Can we visit the R&D facilities?

Mahendra Nahata: Yes, it is Bangalore, you can certainly visit with the prior appointment.

Rajesh Agarwal: Okay, sir. And sir so this time, the presentation was very good. It was short and very crisp.

Mahendra Nahata: Visit our factory if you're going to the Hyderabad factory where we produce fiber and cable both with a prior appointment you will be most welcomed to visit that also.

Moderator: The next question is from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: Okay. A lot of my questions have been answered. But just wanted to ask something about our capex and our debt. So currently, we're expecting INR900 crores Capex in the next 2 years. So what will be our debt level? How are we planning to fund it currently? So could you just give some colour on that?

Mahendra Nahata: My CFO, Mr. V R Jain would answer that.

Vijay Jain: The capex plan is around INR900 crores during this financial year and part will go to the next financial year. And this entire capex will be funded by internal accruals and some equity raise, which we have already done and the money is lying with us and part debt. So debt equity ratio, which is currently 0.24, it will remain in the same range. I mean, 0.24 to maybe 0.27, and max it be will 0.30, not more than that.

Darshil Jhaveri: Okay. So sir, after the -- so when can we may be see debt reduction because interest cost is also a substantial cost...

Mahendra Nahata: Our debt is already very low. You know, 0.28 is no big debt itself, you know..

Vijay Jain: So majorly, it is working capital debt, which is required for various project execution and all that. And most part of that is in the form of LCs and bank guarantees. So the finance charge includes the charges of BGs and LCs as well. It is not entirely the interest cost.

Moderator: The next question is from the line of Sanjeev Damani from SKD Consulting.

Sanjeev Damani: My two questions are, one is regarding our debtors that is INR2,200 crores, so almost it is coming to 50% of our sales. So if you are going for INR7,000 crores sales, then will our outstanding be and debtors will be as high as 50% and what is...

Mahendra Nahata: No, I tell you why. So debtors are when we do turnkey projects. And when you are rightly saying that next year revenue, we are forecasting INR4,000 crores coming from cable and Telecom products, which are not having that larger period for recovery. So they may be more like, 60 to 90 days, maximum 90 days. So it will not be in a level what you are just saying, it would be much lower than that.

Sanjeev Damani: And soon we will be recovering all this whatever is outstanding? Will we be getting it cleared by this quarter end?

Mahendra Nahata: Say that again, I missed your question.

Sanjeev Damani: Will we be able to realize most of the money by this quarter end of our debtor?

Mahendra Nahata: Not this quarter end, it will be coming up in phases, the major part is on NFS, network for spectrum which we are executing for Indian Army. So part of that would be about take, I would say, more than a year or so after completion of the project. And rest of the debtors, we will keep on realizing as we go by in time. Some are 60 days, some are 90 days, so something like that.

Sanjeev Damani: Second question is regarding making my understanding better about the fact that our minister sir have said that we are introducing 6G also very soon. And all this will be and is being manufactured within India. So can I take it this way that HFCL is the only supplier of all these telecom exchanges and facilities of...

Mahendra Nahata: No, we are not the only supplier. We are one of the supplier for telecom equipment. So we are not the only supplier. Nobody can be only supplier, number one.

Sanjeev Damani: On a listed place, sir, only you are listed who are supplying all these equipment and exchanges and all these things?

Mahendra Nahata: No, Mr. Sanjeev, Tejas is there, we are there. There are a number of companies who are there but yes we're number one.

Sanjeev Damani: But we are also equipped to completely supply the exchange and facilities to BharatNet?

Mahendra Nahata: There is nothing called exchange these days, that time is gone when you call core and access and that kind of a transport that kind of a network, but we are supplying not the whole network but a part of the network. We are more on the access side and the transmission side, not on the core side. Core we don't have core, and no Indian company has core rather. So we are having access and transmission. And that there are other companies also who are doing the same business access and transmission. But at the same point of time, to answer your 6G question, 6G development and effort have started, really, if you see to become commercial, it is at least 4 or 5 years away.

Sanjeev Damani: Okay. Thank you very much for the understanding and time given, sir. And all the best.

Mahendra Nahata: My pleasure, sir. My pleasure.

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

Saket Kapoor: Sir, when we look at the order books split up, we find as a breakup in your presentation, INR475 crores is the network services, INR890 crores is the product and INR2,037 crores is the O&M. So under this network services, there is a combination of both turnkey and the product?

Mahendra Nahata: Yes. For example, this INR1,100 crores of orders for BSNL for equipment has been clubbed into that what you are seeing INR4,700 crores. It is more a product less of services but it has been clubbed into that because it improves some part of services.

Saket Kapoor: Okay. So the turnkey order book, the core turnkey order book is how much, sir?

Mahendra Nahata: Core turnkey order book would be something like out of INR7,000 crores should be something about INR4,000 crores plus something like INR4,000 crores plus.

Saket Kapoor: I didn't get you sir. I'm talking about only the turnkey project, Trunkey project can, it can be a product?

Mahendra Nahata: Only turnkey portion of the project, that's what you're saying?

Saket Kapoor: Yes.

Mahendra Nahata: Yes. So that should be same.

Saket Kapoor: That is INR4,000 crores?

Mahendra Nahata: So, turnkey portion is services portion of the project, should be around 4000 crores.

Saket Kapoor: I think I'm getting mistaken on that front. But I take it offline from Jain, sir. On the O&M part INR2,037 crores, how that will start accruing the same? And how much have you booked for this financial year?

Mahendra Nahata: If we take about 7 years, Mr. Saket, 7 years.

Saket Kapoor: Right. And from the next year itself, we will start or when will this start taking in?

Mahendra Nahata: They started already. Some of it already started. It will continue through this year also.

Saket Kapoor: Okay. Jain sir, I have a question on this other intangible asset and intangible assets under development. If you could just explain to us what are these two line items? There's a significant increase in intangible assets under development from INR200 crores to INR315 crores and other tangible assets have risen from INR18 crores to INR118 crores. So what are these? Are the related to R&D? How are we going to benefit? This is a large sum of money?

Vijay Jain: Saket, we are developing a lot of products as part of telecom and defence. So whenever any product is ready for launch or it has been launched, so that part of the R&D spent is capitalized and remaining is shown intangible under development. Once it is commercialized and capitalized, then it is amortized over a period of 5 years.

Saket Kapoor: Right, sir. And lastly, sir, on this the successful IPO for Vodafone. Does this give the impetus to the entire ecosystem and a new capex cycle can be envisaged going ahead that the confidence that the investing community has on the Vodafone?

Mahendra Nahata: A very good question. And in fact, I missed to talk about it in my opening remarks. This definitely gives very good impetus to instrument manufacturers in India. So with the new operator, not a new operator, old operator getting active now in the equipment business, which was not active earlier because of the money issue and all that. With the IPO and today's news item that INR18,000 crores, they are going to raise from banks, which makes it almost INR40,000 crores of capex by them, it is really good . With that kind of capex new demand would be generated for fiber optic cable, equipment and everything. And some share will be available to us also, of course. So we are really happy about it. With the revival of VI as well as revival of the BSNL and continued growth of and Jio and Airtel.

Saket Kapoor: Right. And do you have any dues from them?

Mahendra Nahata: No, They are very minor dues maybe from regular supplies we do, but there is no over dues.

Saket Kapoor: And on closing, sir, Exicom public issue was also a grand success and HFCL holds a minority stake in Exicom. So what's the road map ahead? And what are the synergies with Exicom, the other listed company for the HFCL group?

Mahendra Nahata: Road map as far as investment is concerned, that is there. But there is synergy definitely. Synergies, they also produce apart from EV chargers, they produce critical telecom power supply equipment. So wherever we have customers for critical power supply equipment and turnkey service, you can source certainly from Exicom and that would give us more competitive and more complete product range.

Saket Kapoor: Jain, sir. Then the INR120 crores income tax has been paid for this year. So does this include for this year also or prior period also? And what is our current tax rate?

Mahendra Nahata: No, income tax is charged year-on-year. So part the regular tax and part is shown as part of deferred tax, current and deferred tax. It is segregated in two parts.

Saket Kapoor: Sir, I am telling from cash flow. In cash flow, you have shown a payment of 120 crores.

Vijay Jain: In cash flow?

Saket Kapoor: Under cash flow, income tax paid is mentioned as INR120 crores.

Vijay Jain: So, this is our TDS tax which is deducted.

Saket Kapoor: Okay, sir. We will keep both of them together. Okay, got the point. Thank you, Nahata ji. This is one of the very transformative call from HFCL whereas we have infused lot of confidence among the investing community in your remarks in terms of this product sales and again, OFC then the turnkey project, and then the entire ecosystem getting charged up. So we hope for a transformation and exponential growth next year, and we hope as in future reality test.

Mahendra Nahata: There are 3 things in revenue. One is equipment business becoming very robust, INR2,000 crores is expected and INR1,700 crores orders are already there, INR2,000 crores plus an optical fiber cable and defense business, don't forget. Though I have not put anything in the estimated revenue but defense business has a huge opportunity coming up in a sense that fuses, for example, so much of demand.

If I start production today, I'll be booked for one year. That's the kind of demand coming up for fuzes. Even before I have got it tested, the demand of lakhs of fuzes in front of me. So defense business has also got very high potential, including this, then the upgradation of BMP-2, again, a very huge potential. So defense business also is very huge potential and that will be a very transformative change for HFCL apart from equipment business.

Saket Kapoor: Right, sir. Thank you for and we hope to see things on ground improving drastically, dramatically rather.

Mahendra Nahata: Thank you. Mr. Kapoor. And this would be the last question, operator, I can take **Saket Kapoor:** Thank you. sir. And all the best to the team. Namaskar, sir. Thank you.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Mahendra Nahata for closing comments.

Mahendra Nahata: Well, gentlemen, some of the questions would remain not answered as I can see. So kindly send emails to us for your questions and we would be very glad to answer, to our Investor Relations Officer, Mr. Amit Agarwal, he will be very glad to answer those questions.

But as a concluding remark, I would say that we are looking forward to this current year with a lot of optimism and lot of growth in our revenue in equipment business as I said, from INR150 crores to INR2,000 crores, which will coupled with fiber optic cable together, the growth in product business itself will be substantial, reaching to roughly about INR4,000 crores, that is what is the best expectation of the management is on the basis of order book and as well as the kind of orders we are expecting to receive in fiber optic cable.

Moreover order for turnkey Projects are also in hand for INR1,250 crores or so, and more orders, such are expected. So my expectation of INR2,000 crores of orders from that part of business is also quite robust expectation, not based on estimation but based on realistic expectation. So we look forward to the current year with a lot of robustness and expectation of good revenue coming up.

And our R&D efforts are certainly going to throw in more number of products in defense as well as the telecom sector. That would be -- this kind of R&D and development of products would be really an impetus for our long-term strategy for keeping on increasing revenue through products and not so much from services. So we are very optimistic about growth with the growth of telecom sector, growth in the defense sector, and the export also, we are very optimistic for the future. Thank you very much, gentlemen.

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