

Transcript of the 37th Annual General Meeting of HFCL Limited

Manoj Baid: Very good morning, dear shareholders, to all of you. I extend a warm welcome to all of you in the 37th Annual General Meeting of your Company, which is being held through video conferencing and other audio-visual means (OAVM). We have with us today, Mr. Arvind Kharabanda, Non-Executive Director and Chairman of the Stakeholders' Relationship Committee, Member of the Audit Committee, Nomination, Remuneration and Compensation Committee, and Risk Management Committee.

We have Dr. Ranjit Mal Kastia, Non-Executive Director and Member of the Stakeholders' Relationship Committee.

Then we have Dr. Tamali Sengupta, Independent Director, Member of the Audit Committee and Stakeholders' Relationship Committee.

We have with us today, Mr. Mahendra Nahata, Managing Director and Chairman of the CSR Committee and Risk Management Committee, who has joined us through video conference from New York.

Then we have with us Mr. Ajay Kumar, Independent Director and Chairman of the Nomination, Remuneration and Compensation Committee, Member of the Audit Committee and CSR Committee, who has joined us through video conference from Sydney.

Then we have with us Mr. Bharat Pal Singh, Independent Director and Chairman of the Audit Committee and Member of the Nomination, Remuneration and Compensation Committee, CSR Committee and Risk Management Committee has joined us through VC from Mumbai.

Mr. V. R. Jain, our CFO is present with us in our Gurgaon office from where we are conducting this AGM.

Then Mr. P D Baid, Senior Partner of S. Bhandari and Company, LLP, our statutory auditors has joined us from Jaipur through VC. Then our another auditor Mr. Sunil Bhansali, Senior Partner of Oswal, Sunil and Company, statutory auditors has joined us through VC from his Delhi office.

Then Mr. Baldev Singh Kashtwal, Secretarial Auditor and also the scrutinizer for remote e-Voting and e-Voting during this AGM has also joined the meeting through VC from his office in Delhi.

As per Article 14.5 of the Articles of Association of the Company, I would now request directors present here to appoint one of them as the Chairperson of this AGM.

Dr Ranjit Mal Kastia: I propose the name of Mr. Arvind Kharabanda for the Chairman of this meeting.

Dr Tamali Sengupta: I second the name of Mr. Arvind Kharabanda as Chairman of this meeting.

Arvind Kharabanda: Thank you for electing me as the Chairman of this AGM.

Dear shareholders, welcome you. I extend a warm welcome to all of you at the 37th Annual General Meeting of the Company.

Manoj Baid: Thank you, Sir. The members may kindly note that this AGM is being conducted through VC (OAVM) without the physical presence of the members at a common venue in due compliance with the applicable provisions of the Companies Act, 2013, the rules made thereunder, read with the various general circulars issued by the Ministry of Corporate Affairs.

30 members present will constitute the quorum. Participation of members through the video conference is being reckoned for the purpose of quorum as per the circulars issued by the MCA and Section 103 of the Companies Act, 2013.

Can I ask the moderator to confirm the number of shareholders participating in this meeting?

Moderator: Sir, at present 75 members are present. Thank you.

Manoj Baid: Chairman Sir, the quorum for holding the meeting is present. I would request you to accord your consent to start the proceedings of the meeting.

Arvind Kharabanda: Please proceed with the meeting.

Manoj Baid: Thank you. So, before we begin today's proceedings, I would like to highlight certain points here. The joining to this meeting opened 15 minutes before the scheduled time of the commencement of meeting, which is 11 AM, and it will remain open till another 15 minutes of the commencement of the meeting.

Members are encouraged to join the meeting through their laptops and headphones for a better experience and use the internet at a good speed to avoid any disturbance during the meeting. Participants connecting from mobile devices or tablets or through laptops connecting via mobile hotspots may experience audio-video loss due to fluctuations in the respective network. It is, therefore, recommended to use a stable Wi-Fi or LAN connection to mitigate any kind of technical glitches.

As mentioned in the notice convening this AGM, the facility of participation at the AGM through VC has been made available for 1000 members on a first-come, first-serve basis, except for large shareholders, promoters, institutional investors, directors, key managerial personnel, the Chairperson of the audit committee, nomination and remuneration committee and stakeholders relations committee as well as the statutory auditors who are allowed to attend the AGM without any restrictions on account of first-come, first-serve basis.

Pursuant to the Circular of 8th April 2020 issued by the MCA, the facility to appoint and proxy to attend and cast votes for the members is not available for this AGM. However, the body corporates are entitled to appoint their authorized representatives to attend this AGM through VC or other audio-video means and participate and cast their votes through e-Voting.

The deemed venue for the AGM will be the place from where the Chairperson of the meeting conducts the AGM which is our Gurgaon office of the Company. Pursuant to the provisions of the Companies Act 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has provided the facility for voting by electronic means to all its members to cast their votes electronically and the business may be transacted through such e-voting. For this purpose, the Company has tied up with NSDL to facilitate voting through electronic means as the authorized agency.

The Company provided a remote e-voting facility to all the persons who were members on September 23, 2024, being the cutoff date for vote on all the nine resolutions set out in the notice of AGM, from 09:00 AM on September 27, 2024, till 05:00 PM on September 29, 2024.

Members attending the AGM today who have not cast their vote by remote e-voting during the said period are entitled to exercise their right to vote by e-voting during the AGM, which shall remain active for 30 minutes after the closure of this AGM by the Chairman.

Mr. Baldev Singh Kashtwal, practicing company secretary having membership number FCS-3616 and CP number 3169 has been appointed by the board as the scrutinizer to supervise remote e-voting and e-voting today in a fair and transparent manner.

The voting results will be declared on or before October 3, 2024, after considering the e-voting done today by members participating in this AGM and also the remote e-voting already done by certain members. The result along with the scrutinizer report shall also be submitted to the stock exchanges NSE, and BSE and will also be placed on the website of the Company.

Since AGM is convened through VCOAVM and resolutions have already been put to vote through remote e-voting, therefore, in terms of Secretarial Standard-2 issued by the Institute of Company Secretaries of India, the same are not required to be proposed and seconded. There are 9 resolutions namely the first 4 ordinary business which is:

1. To receive consider and adopt the audited financial statements of the Company for the financial year ended 31st March 2024, the reports of the board of directors and the auditors thereon, which is an ordinary resolution.
2. Second is to receive consider and adopt the audited consolidated financial statements of the Company for the financial year ended 31st March 2024 and the reports of the auditors thereon which is again an ordinary resolution.
3. Third is to declare a dividend of Rs 0.20, i.e., 20% per fully paid-up equity shares of the face value of Rs 1 for the financial year ended 31st March 2024 which is again an ordinary resolution.
4. Then to appoint a director in place of Mr. Arvind Kharabanda, who is chairing today's meeting and whose DIN number is 00052270, Non-Executive director, who retires by rotation at this AGM and being eligible, has offered himself for re-appointment which is a special resolution. Though it is ordinary business it is a special resolution.

Then under the category of special business, we have five resolutions.

1. First is to reappoint Mr. Ajay Kumar, DIN number 02446976 as an independent director of the Company for a second term of three consecutive years which is a special resolution.
2. Second is to approve the re-appointment and remuneration of our managing director Mr. Mahendra Nahata, having DIN number 00052898 as a managing director and a key managerial personnel of the Company, who is also a promoter of the Company for a period of three years which is a special resolution.

3. Third one is to borrow funds in excess of the limits as prescribed under section 180(1)(c) of the Companies Act 2013, which is again a special resolution.

4. Fourth one is to create a charge on the assets of the Company as prescribed under section 180(1)(a) of the Companies Act 2013, which is again a special resolution.

5. And the last one is to approve the material-related party transactions with HTL Limited, a material subsidiary of the Company, which is an ordinary resolution.

To transact the business as mentioned in the AGM notice, the members have been provided an opportunity to inspect all documents referred to in the notice and the statement annexed to the notice by writing to the Company at its email ID secretarial@hfcl.com, till the date of AGM.

The register of directors and key managerial personnel and their shareholdings, register of contracts and arrangements in which directors are interested and other documents as referred to in the notice of AGM are open for inspection for the members till the conclusion of this AGM.

Now after these general instructions, I would like to invite our managing director Mr. Mahendra Nahata who is currently in New York to address the shareholders, give an overview of the Company and provide business updates.

Mahendra Nahata: Thank you.

Manoj Baid: Over to you, Sir.

Mahendra Nahata: Thank you very much Mr. Manoj Baid, our company secretary.

Dear Shareholders, my colleagues on the Board and distinguished ladies and gentlemen!

It is a great pleasure to welcome you all to the 37th Annual General Meeting of HFCL Limited. I extend my sincere gratitude for your unflinching trust and support. Your belief in our vision and strategy has been the cornerstone of our success.

I hope you have had the opportunity to review our Annual Report for FY24, which offers a comprehensive overview of our financial performance, strategic initiatives, and operational milestones. The year gone by, has been transformative for HFCL with significant advancements on multiple fronts. We developed innovative products, expanded our market footprint and improved the quality and mix of our revenue with more focus on product-led revenue. Our achievements are a testament to our commitment to excellence and innovation, positioning us for sustainable growth in the years ahead.

Globally, the telecommunications industry stands at a pivotal juncture. The advent of 5G, along with rapid integration of Artificial Intelligence, Internet of Things, and cloud technologies, is fundamentally reshaping the telecom sector. The countries around the world are making substantial investments in their telecom infrastructure to fuel this digital revolution. In India, we are fortunate to be part of one of the most dynamic and rapidly growing telecom markets. The Government's 'Digital India' initiative, combined with the ongoing expansion of 4G, the rollout of 5G networks, BharatNet Phase – III initiatives and growth of data centers, is driving the nation's shift towards a fully connected digital economy. As the data consumption surges, fiber infrastructure expands, and networks are upgraded, HFCL is strategically positioned to play a vital role in this transformation.

Operationally, we have continued to reach new milestones. From 5G solutions and optical fiber networks to defence technologies, our strategic investments in R&D have kept us at the forefront of innovation. Our ability to deliver cutting-edge telecom and defence products for both domestic and international markets has been instrumental in driving success. We have laid a robust foundation for future growth, which will only become stronger as we continue to align with evolving demands of the global telecom and defence sectors.

Having established an extensive presence in the telecom service provider market, we are now aggressively expanding into the Enterprise Market for Telecom and Networking Products. By appointing distributors and channel partners nationwide, we aim to reach a broader spectrum of enterprise customers in the government and private sectors. This new customer segment is expected to significantly bolster revenue sustainability in the coming years.

We anticipate substantial growth in telecom equipment segment, with anticipated revenues for FY25 expected to reach approximately ₹2,000 crores, up from ₹150 crores in FY24.

Simultaneously, our expanding footprint in the defence sector, with innovations such as electronic fuzes, thermal weapon sights, ground surveillance and coastal surveillance radars for various range and applications, high capacity radio relays, among others aligns perfectly with India's ambition for self-reliance in defence technologies. Discussions are underway to export indigenously developed fuzes and we expect building a sizable order book for defence electronics products in FY25.

In a significant development that underscores HFCL's technical prowess and commitment, the Company has been selected to develop and supply critical sub-systems for advanced Unmanned Aircraft Systems to General Atomics Aeronautical Systems Incorporated. This partnership marks a milestone in HFCL's journey, as it becomes a key contributor to one of the world's most sophisticated unmanned aerial vehicles.

With India accounting for 3.7% of global military spending, making it the third highest military spender in the world after the U.S. and China, this coupled with export demand, presents a significant market opportunity for us.

Our export-led growth strategy, focusing on markets in the USA, Canada, and Europe, is creating new revenue streams and establishing us as a key player on the global stage.

We have improved our revenue mix with more focus on product-led and export led revenue. This evolution is critical, as it enhances revenue realization, improves margins, and enables us to scale seamlessly. We are committed to broadening our product range, forging international partnerships, and making substantial investment in R&D to meet the evolving needs of our customers.

Amid this dynamic backdrop, I am proud to share that HFCL has delivered strong financial and operational performance for FY24. Our consolidated revenue has grown to ₹4,465 crores, with an EBITDA of ₹682 crores, underscoring the robustness of our business. Profit before Taxes has risen to ₹454 crores and Profit after Tax has increased to ₹ 338 crores. Equally significant is our order book, which now exceeds ₹7,500 crores. This year, we also achieved a historic milestone by securing a ₹623 crores contract to supply India's first indigenously manufactured 5G networking equipment. Additionally, we won a ₹1,127 crores contract, among others, to upgrade Bharat Sanchar Nigam Limited's optical transport network infrastructure across India. This upgrade will position BSNL for future success with the seamless launch of 4G and 5G services. These accomplishments not only highlights our capabilities, but also underscores the confidence in HFCL as a leader in telecom innovation.

At HFCL, our commitment extends beyond financial success; we are deeply invested in fostering a sustainable future. Our efforts in Environmental, Social, and Governance initiatives are integral to our business model. Over the past year, we have made significant strides in reducing our carbon footprint and adopting sustainable manufacturing practices. We have taken steps in reducing environmental impact with a 16% decrease in energy consumption and a 2% reduction in greenhouse gas emission over the past year, underscoring our commitment to environmental stewardship. We are also dedicated to responsible waste management, achieving an 18% reduction in total waste.

HFCL values its workforce as a key driver of sustainability. The Company promotes diversity and inclusion, through initiatives such as the Future Women Leaders programme, which empowers women in managerial roles.

Through our CSR initiatives, we positively impacted more than 1.42 lakhs beneficiaries in the areas of healthcare, education, elderly care and societal development.

FY24 has indeed been a transformative year for HFCL. We remain committed to delivering value to stakeholders, driving innovation, and positively contributing to India's technological landscape. We are confident that our focused efforts in increasing our product portfolio in telecom, optical fiber cable, passive connectivity solutions & defence products, along with capacity expansion, backward integration, broadening our customer base, and entering new geographies, will propel revenue growth, margin expansion and optimal utilization of working capital resources.

To conclude, I would like to extend my sincere thanks to all our stakeholders, including our shareholders, Board members, employees, and partners. Your unwavering

support, dedication, and trust have been pivotal to our success. Together, we are shaping a future characterized by innovation, sustainability, and long-term value creation for its stakeholders. As we move ahead, I am confident that our collective efforts will propel HFCL to greater heights, and I look forward to continuing on this exciting journey with all of you. Thank you once again for your commitment and belief in our vision.

Manoj Baid: Thank you, Sir, for your valuable insights. Thank you very much. As required under Secretarial Standard-2 issued by the ICSI, qualifications, observations, comments, or other remarks on the financial transactions or matters which have any adverse effect on the functioning of the company, if any, mentioned in the auditor's report shall be read at the AGM and attention of the members present has to be drawn to the explanations, and comments given by the board of directors in its report.

I am happy to inform you that the standalone and consolidated auditor's reports do not contain any qualifications, observations or comments which have any material adverse effect on the functioning of the Company and do not call for any further clarification and hence may be taken as read.

The secretarial audit report for FY24 has no qualifications, reservations or adverse remarks except for a fine levied by BSE Limited detailed on page 75 of the annual report. A full explanation to the same is also provided on the same page.

The e-voting is now open, and members are requested to kindly vote while the e-voting is in progress. E-voting will be disabled 30 minutes after the closure of this AGM by the Chairman.

Now, we would take all the queries, and questions of the shareholders who have registered themselves as speaker shareholders. Till day before yesterday, we have received requests from 15 shareholders who have got themselves registered as the speaker shareholders for today's AGM. I would like to request all the speakers to limit their number of questions to a maximum of 2 so that everyone has a fair chance to speak.

Now, I would request the moderator to unmute the line of Mr. R.P. Tulsian if he has joined us.

Moderator: Mr. Tulsian, please unmute yourself. Mr. Tulsian, please unmute yourself.

R.P. Tulsian: Yes. Hello. Yes, Sir.

Moderator: You are audible.

R.P. Tulsian: Namaskar, Chairman Sir. Nahata Ji, mein shuru mein bada nirsash tha jab maine dekha ki aap nazar nahi aa rhe. Lekin jaise hi aapne avtaar liya, tabiyat

khush ho gyi meri kyunki aapki aur meri mulakat bahut time pehle hui thi, Poly medicure mein maharaj ji aaye the, Himanshu Baid Ji ke yahan. Tab hamari aap se mulakat hui thi aur mujhe bada accha laga tha ki aapne bahut humble tareeke se mujhe invite kiya ki aap hamari company mein kabhi aayein. Wo invitation mein abhi tak bhi yaad hai.

Mujhe badi khushi hai ki aaj jab mein yahan aap se mukhatib ho rha hoon, baat kar rha hoon, to Rs 12-15 wali company se 12 guna ho gya ho gya hai. Mein ye batana chahta hoon journey kahan se kahan pahunchi hai. Aur maine is journey ko bade nikat se dekha hai. Mujhe badi khushi hai aaj ki jab mein aap se baat kar rha hoon aaj, aap sab logon se to ye 3 figures ke andar ham log chal rhe hain. Bahut aacha ye response hai. Aur ek badhiya baat jo mein kahunga aur aapko bhi hansa aayegi sabko, ki hamara market cap Rs 21,000 cr hai aur order hamare paaas Rs 52,000 cr ki hain.

Arvind Kharbanda: Order hamare Rs 7500 cr ke lagbhag ke hain.

R. P. Tulsian: Rs 7500 cr ka. Hello.

Manoj Baid: Haanji, Haanji.

R. P. Tulsian: To mein keh rha hoon ye show karta hai market ka, shareholders ka, aur economy ka kitna confidence HFCL ke andar hai, kyunki HFCL khali networking nahi karti hai. Dilon ko bhi jod rhi hai. Jab aapne bataya ki ham 5G ke sath sara kaam kar rhe hain aur itna accha ho rha hai to mein samajhta hoon ki meri to ye kamna hai, shareholders ki to, ye dil maange more. Mein chahunga defence wale kaam mein aap jyada karein kaam kyunki tabhi hamari earnings badhegi. Tabhi hamari value badh jayegi. Yaad rakhiyega, mein na dividend ki demand karunga aapse na bonus ki demand karunga. Ek demand karunga ki aap defence wale sector mein optical fiber ke andar hamari position number one banane ki koshish karein. Amount is no restriction. Jo marzi aap amount rakhein. Hamein koi dikkat nahi hai. Uska karan hai. Jab aap yahan pahunch jayenge to paisa to apne aap aa jayega. Aur ye Jain sahab meri baat sun rhe hain naa? Paise ka hisab aap se hi lena hain maine.

V. R. Jain: Sun rhe hain, Sir.

R. P. Tulsian: Haan. Bilkul. Karan hai. Hamari company ki aapne debt free banana hai. Isilye aap par zimmedari thodi si jyada hai. Halanki ye to aap mujhe keh sakta hain, bata sakte hain ki Tulsian Ji maine company ko debt free se bhi aage badhaya hai lekin ham nahi maante. Ham kehte hain ki aap aur kariye. Aur kariye. Ye karte jaayen aap.

Mahendra Nahata: Tulsian Sahab, bahut bahut dhanyawad for your kind words. Aur aapko.

R. P. Tulsian: Thank you. Thank you, Sir. Mein bas ye conclude kar rha hoon, namasakar karke.

Mahendra Nahata: Mera invitation aapko abhi bhi kayam hai. Kabhi bhi aap dekhiye jarur aaiye.

R. P. Tulsian: Thank you, Sir. Thank you for extending and renewing the invitation.

Mahendra Nahata: Ham sab ko bahut accha lagega koi bhi shareholder aaye aur dekhe. We feel very happy and excited. Jahan tak defence ke upar aapka comment hai mein bilkul is cheez se agree karta hoon ki hamein defence ke kaam ko aur jyada se jyada aage badhana chahiye. Aur Company iski poori koshish bhi kar rhi hai. Abhi jaise ek bahut bada program Government of India ka chal rha hai BMP2 Armoured Fighting Vehicle ka upgradation ka. Aap sab ko jaan kar khushi hogi ki 5 companies usmein shortlist hui hain, usmein HFCL bhi ek hai. Un 5 companies mein baaki 4 companies, ek L&T hai, Tata Enterprises hai, Government ki AVML hai, aur ek company aur hai jismein shayad Adani Ji ka investment hai, aur HFCL hai. To in 5 companies mein ek HFCL bhi hai jo shortlist hui hai. Isi tareeke se hamne defence ke kayi saare products indigenously develop kiye hain, jismein apne thermal weapon sights hain, electronic fuzes hain, high capacity radio relay hain. Ye sara indigenously develop karne ka karan hi in products ko desh mein apni defence forces ko sell kar sakein but inko export bhi kar sakein. Aur mujhe ye batate hue khushi hai exports karne ke liye defence products ki hamari kayi jagah badi aage tak baat chal rhi hai aur mujhe pakka vishwas hai is financial year mein ek acchi order book ham build kar payenge, defence ke jo apne develop kiye hue products hain unke exports ki. Ye awashya hai ki defence products ka export ek regulated exports ka kaam hai jismein har export karne ke liye Bharat sarkar se license lene ki awashyakta hoti hai. Wo sari formalities ko Company poori karegi.

Na kewal ye product but ham kayi aur products par kaam kar rhe hain, chahe wo indigenously development se ho aur ya chahe wo technology transfer se koi 1 ya 2 products ho jo aage badhkar defence ke hamare product portfolio ko enlarge karega aur na kewal enlarge karega balki ek sustainability in revenue layega aur export ke kshetra mein bhi hamko aage badhne ka defence mein mauka milega.

So, Tulsian Sahab, bahut bahut dhanyawad aapke comments ke liye aur aapne jo udgar vyakt kiye. Aur jahan tak shareholders value ka sawal hai, hamari koshish hamesha ye hai ki shareholders ki value hamesha grow kare aur jin logon ne bhi Company mein investment kiya hai, unki worth jaldi, jyada se jyada grow kare. Aise Company ko accha karya karke, accha result de ke Company ki hamesha yehi koshish rahegi.

Manoj Baid: Thank you, Sir. Moving on, moderator ji, if Mr M. P. Bhutani is available, you can take him on the line and unmute.

Moderator: Mr Bhutani is not available.

Manoj Baid: Ok. Then the next speaker is Mr Ajay Kumar Jain if he is online.

Moderator: No Sir. He is also not here.

Manoj Baid: Ok. Next to him is Mr Anil Mehta. Is he there?

Moderator: He is also not here.

Manoj Baid: Ok. The next is, that we have received a few questions in advance through email. So, I will take the first question received from the Quant Mutual Fund, holding large number of shares in the Company. They have asked the first question. Are there any signs of recovery of optical fiber cable business? And what is the outlook for FY25?

Mahendra Nahata: Manoj, I missed. Who is our esteemed shareholder who has asked this question?

Manoj Baid: This is Quant Mutual Fund, Sir.

Mahendra Nahata: Ok. I missed the name. Good. As far as the optical fibre cable market is concerned, I expect that significant increase would happen from quarter 4 of this financial year. There are a couple of reasons for that. U.S. market has started looking up. And the basic reason is the U.S. government has, under a program announced by them, is providing almost a US\$60 billion subsidy to the operators who are going to put fiber optic cable in unserved or underserved areas. And that subsidy program not only has been announced but amounts to be distributed to each of the states has also been announced. As a result of this, we expect demand in the U.S. to pick up. And the Company is already making sustained efforts to increase its presence in the U.S. market and get much higher revenue from the U.S. market this year than what we had got earlier years. And there are very sustained efforts in place for that U.S. market to get higher demand. The European market is also looking up with a lot of emphasis in fibre-to-home and also expansion of 5G network, which requires higher optical connectivity. Similar situation is also happening in other parts of the world also.

In India, again, the demand of fiber-optic cable is going to grow by multiple times with the implementation of BharatNet, for which tenders have already been invited. And total expected demand from current tender is roughly equivalent to Rs 15 lakh fiber

kilometers. Moreover, there are eight more states which had implemented the BharatNet Phase I and II by themselves. They are also expected to invite tenders for expansion and modernization of their Phase I and II networks. So that would also, in my personal opinion, the demand would be more than 5 to 7 lakh fibre kilometres from those eight states. So that would entail a total demand increase of 20 to 25 lakh fiber kilometers from BharatNet alone. This is apart from the normal requirement of operators for expanding their network, 4G or 5G. BSNL, for example, implementing its own 4G network, their demand would be there. Demand for private operators would be there. So all put together, I am confident that from Q4, the demand of fiber-optic cable is going to look up.

Another major reason of that increase in demand is internationally, because of very high delivery time, in the previous two years, operators had accumulated a lot of stocks in their inventory not to get stuck up because of lack of availability of fiber. So those stocks have also finished now. Since those stocks have finished, they are also going to increase their demand for their expansion.

So, all put together, it is expected that from Q4 of this year, there will be a reasonable increase in the fibre-optic cable demand, not only in India, but globally.

Manoj Baid: Thank you, Sir. They have another question, which is, how are orders for the defence portfolio shaping up? Any guidance on how much it will contribute to the revenue margins this year?

Mahendra Nahata: Look, the defence market is a bit of a tricky market. Tricky market in a sense, it takes a long time to get the products approved and then it starts supplying. I am happy to share, the Company started receiving approvals for its products. And in this current year, I expect to build a sizable order book predominantly from exports. Revenue would start accruing from the next financial year. But this will be a great success for the Company when it is able to build a substantial order book for export of its very high technology its design, its own IPR, own products, and if we are able to sell it in the world market. So, I expect a sizable increase in the order book this year and revenue will start coming in from the next financial year. This includes products like electronic fuzes, ground surveillance radars, and thermal weapon sights, for which we have already participated in a few tenders which are under evaluation. For fuzes, we are already talking to a few of our international customers. So order book would be built up this year and revenue would start accruing from the next financial year.

Manoj Baid: Okay, Sir. Thank you. Then the next question is, last question from the Quant, given the significant jump in telecom product revenue expectations from rupees 143 crores to rupees 2000 crores, how confident you are in achieving this?

Mahendra Nahata: Oh, well, very good question.

Manoj Baid: This similar question has been asked by Arihant Capital also, Sir. Arihant Capital.

Mahendra Nahata: Good, good. This is a very good question, and I expected this question to be asked because almost Rs 150 crores to Rs 2000 crores as projected by us is a significant jump. But I am very happy to share that we will definitely be able to achieve it. In the Q1 itself, we did a revenue of Rs 400 crores from telecom products.

There is a backlog of order books for telecom products to now roughly about 1500 crores. And as we continue to build the order book, you know, which orders are already in hand, we expect customers to give more orders to us. Moreover, effort is now on to export our own designed products also.

So with the already achieved revenue of Rs 400 crores in the Q1, pending order book of Rs 1500 crores which are to be supplied in the current financial year, I have absolutely no doubt that revenue of Rs 2000 crores will surely be achieved in the current financial year for the telecom products.

Manoj Baid: Thank you, Sir. So now I would request moderator to check if Mr. Sarvajit Singh, a retail shareholder, has joined us. You can unmute him if he is available.

Moderator: Mr. Sarvajit Singh is not available. But Mr. Santosh Bhutani has joined now.

Manoj Baid: So, you can take him. Mr. Bhutani, please unmute yourself. Mr. Bhutani, please unmute yourself.

Santosh Bhutani: Hello. Can you hear me?

Moderator: Yes, ma'am. You are audible.

Santosh Bhutani: First of all, namaskar, sir. I would like to thank the team of CS for a very informative annual report. I have two questions to ask only. Number one is the steps to increase the assets quality and capital improvement. And second is what is our current key ratio of ROCE, ROE, ROI, and EVA? That's all from me. Thank you. Thanks to all.

Mahendra Nahata: CFO, may reply to these questions. These are very financial questions. CFO, please.

V. R. Jain: Just allow us some time, please. Just give us a few minutes.

Mahendra Nahata: Madam, you know, first of all, thank you for coming online and asking questions. As far as ratio of asset and quality of assets and all that are concerned, the Company is continuously working on improving the quality of assets and all financial ratios with increasing revenue and profitability both. If the CFO is ready, he may answer the questions.

V. R. Jain: So, currently, this last year ROCE was 13.54%. It has been relatively low compared to FY23, FY22 because we have raised certain funds which have now been deployed and the returns will start coming in some more time, maybe FY25-26 onwards. So, we are endeavouring to restore the same level as we had in FY21-22. This is on ROCE.

And asset quality, the only thing is that this working capital, there is a stress which is continuously we are endeavouring to improve that. A lot of this receivable will get unlocked this financial year with the handing over of the network to the customer. And significant improvement can be seen with the change in revenue mix, which is a continuous process. Last year, we had 50% coming from product business, and 50% from EPC. So, the Company has set a target to take this product revenue to 70%. So, in the next two years' time, there will be significant improvement in the asset quality as well.

Manoj Baid: Thank you, Sir. I think Mr. Jain has answered all your doubts. Now, the next speaker is Mr Narendra Singh Chauhan.

Mr. Mangla, if he is available, you can unmute him.

Moderator: No, Sir. He is not available.

Manoj Baid: Is Mr. Vimal Kumar Agarwal available?

Moderator: No, sir. He is also not available.

Okay.

Manoj Baid: Then I have a list of 4-5 people, speaker shareholders. I would just announce their name and see if they are available. Then you can take them in their alphabetical order.

One is Ms. Asika Talreja, Mr. Murlidhar Talreja, then Mr. Manjeet Singh, Mr. Sujan Modak, Mr. Praveen Kumar, Mr. Dinesh J. Darji, Ms. S.P. Bisania. Are they available, any one of them?

Moderator: Mr. Murlidhar Talreja is available.

Manoj Baid: So, please unmute him.

Moderator: Mr. Murlidhar, please unmute yourself. Mr. Murlidhar, please ask your question now.

Murlidhar Talreja: Hello?

Moderator: Yes, Sir. You are audible.

Manoj Baid: Yeah, yeah. We can hear you, Mr. Murlidhar.

Murlidhar Talreja: Sir, namaskar. Mein Delhi se Murlidhar, Ashika Talreja ke ghar se bol rha hoon. Sir, maine Chairman ki speech suni. Mere ko Chairman ki speech se bahut hi vishwas ke sath mein keh sakta hoon ye company ye company pehle ki tarah jaise hazaron Rupees ka rate tha, wohi rate aa jayega. Bhagwan aisi hi Chairman ki mehnat aur staff ki mehnat ki wazah se company tarakki karti rahegi. Hamari koi problem hoti hai ham company ke secretarial department se baat karke hamari problem door ho jati hai. Company ka share bahut accha rate ho gya hai. Dividend bhi deti hai. Company ki tarakki ho hamari tarakki hai aur share ka rate bhi bahut accha hai. Sir, dhanyawad. Thank you. Bahut bahut dhanyawad.

Mahendra Nahata: Murlidhar Ji, aapka bahut bahut dhanyawad for your kind words. Aur Company ki hamesha koshish rahegi, management hamesha iske liye prayas karega ki shareholders ki value, are stakeholders ki value hamesha badhe aur Company jyada se jyada accha kaam karke dikhaye, jis se aap logon ko aur jyada prasannta ho sake. Jahan tak aapne hazaron ki baat kahi, pehle Rs 10 ka share tha abhi Rs 1 ka share hai. To compare karein to hazaron mein chala hi gya hai.

Manoj Baid: Thank you, Sir. So, now all the speaker shareholders have already spoken. Now, I have left with a few questions received from the Arihant Capital. Their first question is that recently we have partnership with General Atomics for UAVs. They just want to know, understand what kind of technical capabilities we have in UAV and defence areas. Sir, over to you.

Mahendra Nahata: You know, this partnership is not really a partnership. It is a contract to develop certain subsystems which are required in unmanned aerial vehicles which are for defence applications. As you must have read in newspapers also, there is nothing secret. India is also looking at buying such kinds of UAVs from General Atomics for its own defence purposes.

So, we have been given the contract to develop certain subsystems for their onboard radars which are on such UAVs. And with the successful development of these radars, we expect we should be able to sell them in a bulk quantity also. So, as far as technical capabilities are concerned, we have excellent technical capabilities for radar. Our 90% owned subsidiary Raddef which is an R&D centre is located in Bangalore is developing all the products which are radar based products which not only includes this particular development contract for General Atomics but other radars also, which have now been tried and being tested by Indian defence forces also and paramilitary forces also which includes ground surveillance radars, coastal surveillance radars, avalanche detection radars, major velocity radars and also at the same point of time we are also developing drone detection radars. So, we have a reasonably good expertise of more than 50 people working in radar development alone. And I have no doubt that this particular development for General Atomics would also be successful with the expected kind of technology that the customer requires. We should be able to do that without any problem.

Manoj Baid: Thank you, Sir. The second question is what kind of products are under approval, progress and business opportunities we have on defence?

Mahendra Nahata: Look, defence is an expanding market at this point of time. Unfortunately, we don't believe that there should be wars in the world. None of us like that. But whatever happens or whatever is happening is nothing under anybody's control. As a result of which what has happened, the demand of defence products, not only in the places war is happening but the overall basis has gone up because every country wants to be prepared for self-defence for any kind of eventuality which may come, which includes India and which includes every other country in the world. So, there is a lot of scope for the sale of defence products not only in India but the international market also. As a result of that, we are, as I said, currently under discussion not only in India but for the export market and also for the sale of various our defence products.

So, I am sure this expansion of the global market would result in a reasonably good size order book to the Company in the current financial year and which would convert in revenue in the next financial year. We are establishing a separate manufacturing facility for producing defence products in Hosur. It is almost ready and I am sure we will be able to start manufacturing in that facility for defence products in the next few months to come.

So, I am very hopeful not only from the Indian market but also from the global market to get reasonably good orders for defence products. At the same point in time, looking at this kind of growth in demand, we are now looking at expanding our product range in the defence sector to give us higher sustainability in the defence revenue over the years.

Manoj Baid: Thank you, Sir. Now, with the permission of the Chairman, I would like to take the last question of the day which has come from Arihant Capital and probably I think most part of this question you have already answered but I will again take this question. What kind of opportunities we have on BharatNet Phase 3?

Mahendra Nahata: Well, it is a very good question. I do not think I have answered this question as yet, but I will now. You know, BharatNet Phase 3 is a program to connect all the 250,000 panchayats of India through a fibre optic network with ring topology. Ring topology means each panchayat would be connected through a ring so that if one part of the network is broken, the network would not go down. It will still continue. So, roughly about 125,000 panchayats had been already connected through linear network which should be connected, converted into a ring network now. An additional 125,000 panchayats will be undergoing this ring network topology connectivity. So, this is what is BharatNet Phase 3.

Further expansion to this program, as I earlier said, would be in those states which had created the BharatNet phase 1 and phase 2 by themselves and now obviously they would also go for this kind of ring topology and expansion of the network. Now, another phase will come later on which would be connecting the remaining 250,000 villages which are not panchayats. So, that is not part of this particular tender of Bharatnet phase 3. Only those panchayats which had been implemented by the central government are part of the BharatNet phase 3 tender at present. So, more opportunities for BharatNet are going to come up in phase 3 and then onward connected into villages which will give the opportunity to the Company for the sale of fibre optic cable as well as own developed and designed telecom equipment which includes routers, which includes group company's power systems, which includes passive connectivity solutions, which also includes when you go to connecting homes with this BharatNet phase 3 network which would have reached to villages or the panchayats, then the sale of fibre to home solutions, fibre optic drop cables, Wi-Fi systems, point-to-point unlicensed band radios which are under development at this point of time, point-to-point unlicensed band radios to connect villages from gram panchayats.

All these kinds of opportunities are going to be there for the Company for BharatNet Phase 3. So, we have a very extensive demand opportunity coming from BharatNet Phase 3 in two ways. One, some of the states in that current tender we have participated directly, some five states. Some of the states we have participated in consortium. Again, you know, in both cases we expect to receive orders from the customer, if we win the contracts. Then, most of the other bidders we have given quotations for our equipment if they win, we can supply to them. Again, we being a local manufacturer with very competitive prices, I expect that whoever finally wins and there are going to be multiple winners because out of 16 states where the tender has

been floated, nobody would be given more than four. So, there would be multiple winners, maybe four, maybe five, maybe eight and we have given our quotations to all of them to buy our equipment whoever wins. So, either directly from the customer or the company which will get order from BharatNet tender, we expect to supply equipment to them.

Now, the opportunity is extensive. I would not like to guess any particular number that how much orders would be received by us, but I expect reasonable and sizable orders to be received either through direct participation or from the winners of the tender who eventually would be part of the winning team. So, my expectations are very high. Let the tender be decided. Let the winners be declared. Then, we would be able to guess the exact numbers, but the numbers should be reasonably good.

Arvind Kharabanda: Thank you, Managing Director and all the shareholders. The business of the 37th Annual General Meeting is now being concluded. Thank you, ladies and gentlemen.

Manoj Baid: Thank you, Sir. Thank you very much. With this, we have come to the conclusion of today's proceedings. On behalf of the Company, and its shareholders, I thank all the board members on the dais and who have joined through VC, auditors, and secretarial auditors. Thank you all my dear shareholders for taking time out and joining this AGM online. We look forward to having your presence at our next AGM.

Now, the e-voting is in progress, and it will be disabled in 30 minutes time from now. In case you have not voted so far, please do vote. Thank you very much.

Thank you again. Thank you.