HFCL Limited
8, Commercial Complex, Masjid Moth, Greater Kailash - II,
New Delhi - 110048, India
Tel : (+91 11) 3520 9400, 3520 9500 Fax : (+91 11) 3520 9525
Web : www.hfcl.com
Email : secretarial@hfcl.com

HFCL/SEC/25-26 May 30, 2025

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, 2025.

Dear Sir(s)/ Madam,

This is further to our earlier announcement dated May 16, 2025.

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 23, 2025, on the Audited Financial Results of the Company for the 4th Quarter and Financial Year ended March 31, 2025, which were considered and approved by the Board of Directors of the Company, at its meeting held on May 22, 2025.

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: 2025.05.30 17:22:06 +05'30'

(Manoj Baid)
President & Company Secretary

Encl: Copy of Transcript.

"HFCL Limited
Q4 FY'25 Earnings Conference Call"
May 23, 2025

MANAGEMENT: MR. MAHENDRA NAHATA – PROMOTER 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 Operator: Ladies and gentlemen, good day, and welcome to the HFCL Q4 FY '25 Earnings Conference Call hosted by ICICI Securities Limited.

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 participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Mohit Lohia, Moderator: Yes. Hi. Thank you, Navya, and good afternoon, everyone. Thank you for joining us today for the concluding call of HFCL Limited for financial year '25. First of all, I would like to thank management for providing us the opportunity to host the 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.

Without further delay, I would now hand over the call to Mr. Nahata for opening remarks. Thank you, and over to you, sir.

Mahendra Nahata: Good evening, ladies and gentlemen,

I welcome all of you to HFCL’s earnings call for the fourth quarter and financial year ended March 31, 2025. I trust you have had the opportunity to review our financial results, press release, and earnings presentation, which are available on our website and also on the website of stock exchanges.

The global trade landscape is undergoing a dynamic transformation, driven by a resurgence of protectionist policies. The recent announcement and subsequent temporary pause on reciprocal tariffs by the U.S. have further intensified this shift. While such changes present near-term uncertainties but they also offer long-term strategic opportunities. India is responding proactively to this evolving environment by strengthening its industrial base and accelerating its transition toward an innovation-led economy. This also includes sectors like telecommunication, semiconductors to Artificial Intelligence /Machine Learning and quantum technologies, wherein India is positioning itself as a global leader. We believe HFCL is well-positioned to thrive in this evolving environment by being both future-ready and deeply rooted in innovation.

Globally, telecom sector is growing significantly. Mobile subscriptions will exceed 8.7 billion by 2025, with over 1.8 billion 5G users. Growth is driven by high-speed networks, data centre expansion, cloud, and Artificial Intelligence. In India, by December 2024, the sector served 1.19 billion users, with wireless users at 1.06 billion fuelling digital inclusion.

India’s telecom sector, backed by investments and policy support, is set to drive a $1 trillion digital economy by 2029–30. ARPU is projected to grow by 10–12% in FY26, led by rising usage of 5G and rural data usage. These trends are generating sustained demand for fiber, telecom gear, and next-gen connectivity solutions where HFCL is strongly poised to lead.

Beyond telecom, the defence sector is fast emerging as a transformative and strategic growth engine for HFCL, offering potential for high-value, long-term value creation. India’s renewed emphasis on indigenizing critical defence technologies, supported by the government earmarking 75% of the defence capital procurement budget for domestic players, has opened up unprecedented opportunities for homegrown defence manufacturers.

HFCL has made decisive early investments in building a robust portfolio of advanced defence technologies, including:

- Ground Surveillance and Coastal Surveillance Radars to protect strategic locations,
- Night Vision Devices for enhanced operational effectiveness in low-visibility combat,
- Electronic Fuses that enhance safety and precision in modern munitions,
- High Capacity Radio Relay systems for real-time, high-bandwidth mission-critical communication, and
- Tactical Optical Fiber Cables, designed for rapid deployment and ruggedized use in battlefield and disaster recovery scenarios.

These products are engineered for both Indian and international defence markets, and we are already witnessing interest from India’s armed forces and foreign countries. Our drone detection radar, currently under development, is expected to enter the production within the current financial year.

We recently inaugurated state of the art defence equipment manufacturing facility in Hosur, Tamil Nadu. The new facility is dedicated to producing cutting-edge defense products, including HFCL’s indigenously developed Thermal Weapon Sights, Electronic Fuzes, High Capacity Radio Relay systems and Surveillance Radars tailored to meet the evolving needs of armed forces.

I further wish to inform you that to further bolster our strategic positioning, we have signed two Technology Licensing Agreements with DRDO for Compact Trans horizon Communication System for ensuring high data rate, low latency terrestrial backhaul communication system that enables connectivity in remote locations and for Multi-Mode Hand Grenade. These Agreements reinforces our commitment of delivering battlefield-ready innovations that are modular, effective, and built for modern warfare. As DRDO continues to lead India’s defence R&D ecosystem, we foresee more such collaborations that will allow us to manufacture indigenous, next-generation defence products at scale.

We have also developed tactical cables, which are used by army in battlefield environment. These are an integral part of HFCL's high-performance connectivity solutions, designed to deliver robust, secure, and reliable communication even in the most demanding and mission-critical environments. We have already received a contract of Rs. 44.36 crores from Indian Army for supply of Tactical Cable. Results from similar large tenders where we have already participated, is expected soon.

Our subsidiary HTL Ltd. has ventured into the wire harness business for Defence Sector which is a high-potential, low-capex segment with good profitability prospects. We are already executing initial orders for critical applications in various fighter jet upgrades and T-72 tanks underscoring our role in India's defence modernisation. With increasing domestic demand and export potential, wire harnesses business represent a good growth area.

Rapid evolution of Artificial Intelligence is set to drive an unprecedented surge in global data consumption. This is fuelling massive investments in hyperscale and edge data centres worldwide. As the backbone of these infrastructures, the demand for high capacity Optical Fiber Cable is growing exponentially. HFCL, with its future-ready portfolio of high-capacity data-centre-grade cables is well-positioned to capitalise on this growth in demand.

With the market momentum building rapidly, we expect a strong pipeline of orders.

After experiencing subdued demand for optical fiber cable over the past 6–7 quarters leading to lower capacity utilization during this period, we are pleased to share that our optical fiber manufacturing has now begun operating at full capacity starting Q1 FY26 as against 45% capacity utilisation during FY25. Our Optical Fiber Cable manufacturing capacity utilization was also 40% during last financial year. This will also start operating at full capacity by July 2025. With market conditions showing clear signs of recovery and new growth drivers such as 5G rollouts, data centre expansion, BharatNet Phase III execution, and rising export demand, our revenue from optic fiber cable during FY26 is expected to improve significantly.

Our Passive Connectivity Solutions business for Optical Fiber Network in HTL Ltd., a subsidiary company is undergoing a strategic transformation with a sharp focus on expanding into global markets. Until now, this business was largely domestic, but starting FY26, we expect our revenue to increase from exports.

We have achieved a major milestone during FY 24-25 by successfully developing indigenous MPLS Routers designed to support 5G backhaul, fiber broadband, and enterprise networks. These routers are engineered to perform reliably even under stringent environmental conditions, making them suitable for both civil and defence applications. We have already secured orders worth Rs.800 crore for this innovative new product.

HFCL achieved another significant milestone in FY24-25 by becoming the first Indian company to develop and commercially launch 5G Fixed Wireless Access Customer Premises Equipment, a critical enabler of last-mile wireless connectivity in the 5G era. In its very first year of launch itself, we have successfully despatched over 4 lakh units of this equipment, demonstrating strong market acceptance. With growing demand from telecom operators and ISPs, we expect to have continuous demand for such product. I am happy to inform you that during last week itself we have received another order of Rs.174 Crores for this product.

As we continue to grow, we remain firmly committed to sustainable business practices. We are proud to share that HFCL has received an ESG score of 70.9 from SES ESG Research, a strong endorsement of our efforts to integrate environmental, social, and governance principles into every aspect of our operations.

Our strategic investments in R&D, capacity expansion, strategic focus on defence, data centres and global market are now converging to create a robust platform for long-term, profitable growth.

I am pleased to report that our order book as on 31st March 2025 stands at Rs.9,967 crore, compared to INR 7,685 crore as at 31st March 2024.

Before I walk you through our financial performance for Q4 and the full year FY25, let me take a moment to set the context. FY25 was a year of both strategic advancement and transitional challenges. While our financial performance was impacted by the downturn in the optical fiber cable demand, margin pressure from newly launched telecom products and slower customer offtake in our EPC business, we remained focused on strengthening the foundations for long-term growth.

Let me now highlight our financial performance for FY25 & Q4 FY25

For the twelve months ended 31st March 2025, the Company reported consolidated revenue of ₹ 4064 Crores as against ₹4465 Crores in FY 2024, EBIDTA of ₹ 507 Crores as against ₹ 682 Crores in FY 2024, Profit before Tax of ₹ 217 Crores as against ₹ 454 Crores in FY 2024 and Profit after tax of ₹ 173 Crores as against ₹ 338 Crores in FY 2024.

- **Revenue** for Q4FY25 stood at INR 800.72 crore as compared to INR 1011.95 crore in Q3 FY25 and INR 1326.06 crore in Q4 FY24.
- **EBITDA** for Q4FY25 stood at INR -22.33 crore as compared to INR 171.89 crore in Q3 FY25 and INR 209.29 crore in Q4 FY24; EBITDA margin in Q4FY25 stood at -2.79% as compared to 16.99% in Q3FY25 and 15.78% for Q4 FY24.
- **Profit After Tax** for Q4FY25 stood at INR -83.30 crore as compared to INR 72.58 crore in Q3 FY25 and INR 109.36 crore in Q4 FY24; PAT margin in Q4FY25 stood at -10.40 % as compared to 7.17% in Q3FY25 and 8.25% in Q4 FY24.
- **Segment revenue from telecom products** stood at 76% of total revenue in Q4 FY25 as compared to 58% in Q3FY25 and 27% in Q4 FY24.

With strong order book, demand pick-up and full capacity utilization, the Company expects growth of 25-30% in revenue of the current financial year on overall basis with major growth starting from Q2.

Looking at the current robust order book, capacity utilization returning to full scale, strategic investments bearing fruit, and multiple global and domestic growth engines gaining momentum especially in Optical Fiber Cable, Defence, Telecom, and Data Centre connectivity solutions, we are confident of delivering a strong rebound in FY26. Our focus remains steadfast on innovation, global expansion, and sustainable value creation for all stakeholders.

Thank you for your continued support.

Operator: The first question is from the line of Balasubramanian from Arihant Capital.

Balasubramanian: My first question related to exports. Exports revenue, it's around 12% of the sales. And sir, what are the strategies are in the place to regain global market share, especially in Europe and the Southeast Asia? And what is the impact of reciprocal tariff imposed by U.S.? And how do we see exports side in coming years?

Mahendra Nahata: Look, definitely, export is the cornerstone of our strategy to increase revenue. If you just look at one particular thing, minus China, if you exclude China, India would be probably 5% to 7% of the world market in telecommunication. 95% market lies outside. So if you have to grow, you have to go for exports.

Like for example, fiber optic cable, we started exports. Last year was and the year before that was subdued, because global demand has gone down. But we have been performing very well in exports. This year, again, we have started receiving good amount of orders from exports. The market has shown a big uptrend riding on the wave of hyperscale data centers where you need high fiber count cable.

For example, telcos need fiber count up to 96 fiber mostly and hyperscalers start from 864 fiber cable. So you can imagine what kind of difference it is. So with the increase in the demand outside India, particularly in North America and to Europe also, mostly because of the data centers and fiber-to-home, we are concentrating quite heavily on export in fiber optic cable, and we have started receiving orders, which are, to some extent, I would say, we did not expect in the beginning of the year but,it is much more than that.

Even to the extent that what we believe our expanded capacity of optical fiber, which we are expanding, which is almost completed the expansion by 100%, will also fall short of our requirement. We will have to still buy fiber from outside.

Simultaneously, we are now focusing on export of telecom equipment also, which again had taken some downturn, but now we are proceeding, again, created a separate organization for this telecom equipment export. And this year, we expect that we should have a reasonable performance in the telecom equipment export also.

Starting major items which will probably get exported would be Wi-Fi access points, where we are now going in for Wi-Fi 7-based access points, switches, and also at the same point of time, fixed wireless access equipment, which I discussed, followed by routers. So fiber optic cable and these are the equipment which we are concentrating on export.

As far as fiber optic cable and passive connectivity solution attached with that are concerned, I think I'm quite sure this year, our exports will be in 4 figures.

And your second question was what impact the reciprocal tariffs has? Now look, right now, the reciprocal tariff is at 10%. So 10% has not meant much of difference for us. It has been -- most of the cases has been equally shared between us and the customers.

But I can say, as demand from export has increased, margins have been also quite reasonable. So this 5% decrease in the prices in some cases, is not impacting much. It's not impacting much. We have to still watch for future.

Nobody is sure it will remain 10% or it will go away or but we have recommended to government from our side for optical fiber cable at least that you can have a 0 tariff for import, because nobody is going to import the fiber optic cable from U.S. But they are not doing that way. They are doing it as a basket for every product. So if it remains around 10%, maybe it goes up to 15%, I don't think we will have any significant impact on our exports.

Balasubramanian: Got it, sir. Sir, my second question related to data centers. So what's the difference between requirement from data center and TSP? And what kind of market on the global level and where we can focus in those data center areas?

Sir, why I'm asking this question, because earlier the demand is mostly related to telco capex, but data center can be the alternative for this cable requirements and other things. You have also mentioned higher hyperscale requirement for data center. This one of our competitor also mentioned about 25% of revenue from data center itself. I just want to understand your point of view on the data center side, please share your inputs?

Mahendra Nahata: Data center demand has really fuelled a very good growth in the demand of fiber optic cable. Data centers are mushrooming. Hyperscale data centers are mushrooming in all advanced countries. In India also, it has started happening, but not to that scale as it is happening in U.S. and some other countries.

And this is definitely an alternate opportunity for cable manufacturers to supply fiber optic cable. Not only fiber optic cable, we are, at the same time, doing the connectivity solutions, which are required within the data center, the passive connectivity solutions as they required in telcos, they are required in data centers also. And but the quality and the type is completely different.

So we are working on that also, so that not only we export cable, but also passive connectivity solutions. So definitely, no doubt that data center has emerged as a good demand opportunity for fiber optic cable of higher count. Higher count means much higher prices also. And I expect this is to continue for at least next 5 years, then it will stabilize.

And the reason is simple, so much of use of artificial intelligence. Everybody is using artificial intelligence these days. All means data. More data means more storage, more cloud, more requirement, more capacity required. So all hyperscale data centers are coming up, which one could not have imagined a few months back till the time AI came. So this is a great alternate market opportunity, which has opened up.

Operator: We take the next question from the line of Vaidik from Monarch Networth Capital Limited.

Vaidik: I have two questions. Firstly, on the telecom side, I just wanted to know your views about the demand of FWA in India and in the international markets as well. And are we manufacturing FWA for India or for India only or for other countries as well?

Mahendra Nahata: Okay. Good. Fixed wireless access equipment is being in India and many other countries quite extensively. We are manufacturing for India and now the new designs which we are doing is for international market also. And I will tell you the difference.

For India, of course, fixed wireless access would have a continuously good demand, because this provides optical fiber kind of a broadband connectivity over wireless. Taking fiber to home takes time. But on wireless, you can provide it on an immediate basis. Though the difference is it consumes spectrum, which is costly, but in case of fiber, the laying down cost is very high. So operator has to choose which one to use.

And all Indian operators are using fixed wireless access equipment very heavily. And we have supplied, as I mentioned, almost by now 0.5 million of that or maybe more than 0.5 million of that and received a new order of 200,000 also, about INR173 crores. And we expect to receive more such orders in the current financial year.

Now for the export market, again, the difference is the particular spectrum you use for providing fixed wireless access. Different countries use different spectrum, different type of fixed wireless equipment. India, we are using outdoor equipment. But in foreign countries, the advanced countries, mostly they use indoor equipment, and a different spectrum also. So now the next generation of equipment, which we are designing and the pilot production is already on rather. And some of the cases, samples also have been submitted to the customers for testing in their network, where the frequency band is, again, the same which is being used in those countries. And it is indoor version, not outdoor.

And in case of indoor version, what additionally you have to do integrate with the Wi-Fi. Within outdoor version, Wi-Fi is inside the house, because outdoor WiFi will not work. So WiFi has to be included in the fixed wireless equipment itself.

It has to be integrated within the fixed wireless equipment. So those versions are also ready. And I think this year would be here, we should be able to start exporting this FWA equipment for different other countries also.

Vaidik: Okay, sir. And sir, the next question is on the defense side. So I just wanted to know what is our outlook on the demand for defense product in India? And what role are we playing in the defense sector?

Mahendra Nahata: Look, outlook, I don't have to tell you, because this last month or this month beginning, what happened across our border that itself tells you the kind of defense preparedness country needs to have to thwart the design of any enemy, whether from west or whether from north or any place.

Really government has, in my personal opinion, has awaken to the possibility that defense preparedness needs which is good, but it needs to be a much higher level. And that's why you read in newspaper, the emergency procurement funds are getting allotted. And it is my opinion that budget for the defense forces definitely will have to be increased if we want to increase our preparedness.

Our forces are very brave, very brave. And in fact, I will not be violating any confidentiality if I tell that even HFCL, 36 people from HFCL were present throughout the border from Uri to Udhampur, working on the NFS network for the Army, which is a dedicated network we have created to do any sort of a repair / replacement if any portion of that network was hit by enemy forces.

And I'm also happy to tell you that we have received commendation letters from various Army units for the kind of service our people have done, various commendation letters, and you will be very pleased to hear know that the kind of language they have used praising our efforts, HFCL's efforts, there has been really I am proud of that. So coming back, the demand of defense equipment is going to be definitely very high.

And we are concentrating in a couple of areas. One, ground surveillance radars, which are going to be used for ground surveillance and also for coastal surveillance. And those have been tested by our team, and they are ready for sale now. And this year, we expect revenue to start flowing in from surveillance radars.

Second is night vision devices, which are also, again, indigenously designed like surveillance radars. And night vision devices, we participated in two tenders rather. One we won, one we could not. But what we won is roughly about INR45 crores. The supply of that for that would also start in Q2. And we have participated in a couple of more tenders for the same equipment, which results are still awaited. So supply for this equipment would start from Q2.

Then communication equipment, of course, which is our forte, we are working on those areas. Then electronic fuses, which is one product. Again, HFCL is the only company which it has designed and which has its own IPR on that.

Unfortunately, we could not be part of the last tender because there were some software issues noticed in our fuse and they did not give us time to correct that, whereas we could have done it in a few days. But anyway, that’s a history 3, 4 years back.

Now they have to be retried, retested. And for that, we need ammunition and ammunition is to be supplied by government directly to DRDO. And they had given us a 6 months' time, even with advanced payment to supply of that ammunition. So we paid about 4 or 5 months ago.

Now they promised that supply would be made during the beginning of the next month. And then, they would be tried by DRDO, which we allotted a range in Balasore in Odisha to try that. I'm sure this small defect has already been rectified, which is lab tested. And that would be one equipment, which is fuse for artillery guns.

And it has a huge demand, not only in India, but worldwide. Worldwide, a huge demand opportunity for that. We keep on receiving inquiries every now and then for these kind of fuses. Every now and then we keep on receiving inquiries.

So once that tested in the month of June, we should be able to start marketing those equipment also, because unfortunate part is we cannot test it ourselves. It requires a range where you can fire these artillery guns.

Range has to be some 18, 20, 30 kilometres, and we cannot fire artillery guns by ourselves. So it has to be tested by DRDO or Army itself. But with that defect, whatever the so called defect was having rectified, this is one product, which would be golden product, I can assure you.

Then, of course, -- we are designing that drone detection radar, which should be in production in the current financial year itself. Right now, it is undergoing the final phase of software integration and then the trial would start. That is another area we are working very closely.

And also, of course, now we have taken -- joined hands with DRDO, Defense Research and Development Organization also, and taken transfer -- a couple of technology transfers from them, where the ready technology is being transferred to us, and we will be manufacturing those equipment also.

One is, of course, battlefield radio equipment and another is multimode hand grenade. So this will be the first time we will be going in ammunition area. So that technology has also been approved by DRDO to be transferred to us.

And for multimode hand grenade, the trial production for approval, you have to produce 100 units and give it to them and they would try it out, has already begun in our Hosur facility, where as I said in my presentation, we have created a facility to manufacture defense equipment. So pilot production or trial production, you can say, has already started. So these are the areas we are working in defense at the moment.

Operator: We take the next question from the line of Rishabh Vasa from Indsec Securities.

Rishabh Vasa: So my question was regarding the optical fiber cable market. So how long do we expect this trend to go upwards? And what kind of revenue growth are we expecting in FY '26?

Mahendra Nahata: Look, as I said earlier in an earlier question, I think next 5 years, the trend is going to be upwards, led by U.S. because the data centers, the way they are mushrooming in U.S. is incredible. And it would have followed everywhere in the world because artificial intelligence, IoT, machine learning, all these are going to happen worldwide.

You will see the progress on this computer and IT industry in the next 5 years, which you would not have seen in the last 25 years. Next 5 years is going to show you more development, more progress in this industry than what you saw in last 25 years. A major contributor to that is artificial intelligence.

When you work on your computer, using artificial intelligence, how easy it becomes to work and how fast it becomes to work, you can understand -- you know yourself and that all means more data, because that is happening quickly. So hyperscalers are coming up worldwide, it's a mushroom growth.

So this is going to lead to major creation of demand, because of high-capacity cables required, 864 fiber, 1,728 fiber, whereas telcos have been using 96 fiber, 48, 24 fiber. So from data center application, at least next 5 years.

But as the data center application increases, the demand for transmitting and transporting data from one city to another city, one continent to another continent, one country to another country are also going to happen rapidly, because they are complementary to each other. So there will be increased demand from telcos also.

And then, when you want to use artificial intelligence kind of high bandwidth requirement, more fiber-to-home connectivity would be required, either it is going to be fixed wireless access, like what I talked a little bit back or it would be fiber optic connectivity.

In any case, demand of fiber optic cable would again be there, either for home connection or data center applications or intercity or intercountry requirement. So at least for next 5 years, this demand is going to keep on increasing. And then, of course, you have a requirement like rural connectivity where governments want to connect all the villages like in India, BharatNet program is happening, those demands will be in addition.

Rishabh Vasa: Got it. Got it. And would it be possible to put a number on the growth for FY '26?

Mahendra Nahata: Well, growth as far as our company is concerned, again, this is a pure estimation based on our current demand and growth potential. Last year, we had a very dismal performance of fiber optic cable, because of the worldwide demand had gone down. And that was a situation with every manufacturer in the world, not only HFCL, our competitors or friends in our country or if you take big companies like Corning, Prysmian, and OFS, any company you take, they had a huge downturn in the revenue from fiber optic cable business.

Now this year, against the revenue of INR1,100 crores last year, with all humbleness, I can say, with the kind of orders we are receiving from data centers, telcos, locally, exports, I am of the opinion that we will grow by at least 100% this year as compared to last year, 100%. And this is not a guidance.

Please note, this is not a guidance. I'm giving purely this number from my present knowledge and the kind of order book we are creating. I am quite certain. I expect that this year, our revenue from fiber optic cable and associated business is going to grow by about 100%.

Operator: We take the next question from the line of Kriti Tripathi from NVS Brokerage.

Kriti Tripathi: So my first question is on the margins. As you just said that you expect a revenue growth of 25% to 30% in terms of revenue for FY '26. So how should we think about the margin trends? And can we expect the EBITDA and PAT margins to remain in line with the FY '25, which was around 7% for PAT?

Mahendra Nahata: Yes. In terms of percentage, I think it will remain stable around the percentage what we have in FY '25. I don't say that they would increase dramatically or significantly. I'm not giving any such guidance, but I think it will remain steady what we have in FY '25, because this particular year, it had gone down drastically, because of low revenue. And for the reasons which I explained that why the revenue was low. But what was in FY '25, I think we should be able to maintain that.

Kriti Tripathi: Okay. So not the FY '24 figures of PAT margin, right? In FY '24, the consolidated PAT was around 7%. In FY '25, it was around 4%. So that is what we expect in the current year, right, sir?

Mahendra Nahata: No, no. What I'm saying is EBITDA margin of what was there, not in FY '25. So I'm talking of FY '24.

Kriti Tripathi: Okay. Understood.

Mahendra Nahata: Sorry, I missed out the year. This year was negative margins and all that. So for FY '24, what margins we had, we should remain stable around those margins.

Kriti Tripathi: Sure. And sir, the next question is on the capex side. So can you say like can you just what would be the capex outlay for the current year? And what would be the areas of focus of the same?

Mahendra Nahata: Look, right now, there is no major capex outlay envisaged apart from what we are already doing in optical fiber and optical fiber cable business, which has already been approved, planned and all done.

There are two kind of capex, which is in offering in optical fiber and optical fiber cable business, which is expansion of capacity, particularly for newer kind of cables, which are required in data center and those kind of applications, which is we have already placed orders for machinery import. We have opened LCs and all that. And the total expenditure, which is going to be made is around INR138 crores.

Now the way that we are receiving demands and getting orders, my team has come back and told me we need more expansion. So we have not planned for that right now. And to some of my customers, I have told, I would only do more expansion if you give me a 3-year contract.

Otherwise, why should I put my money right now on the basis of current demand only. If you give me 3 years requirement, then possibly I can do more. But yes, INR138 crores is being spent on this expansion of fiber optic cable manufacturing facility over and above what we already have.

Now second area of capex, some capex could be the defense. where manufacturing facility we have already created, but certain amount of test equipment, testing, pilot production are always required. So some amount of capex will be required in defense equipment business also. And that may be not much. That may be something around INR50 crores or so. It would not be much, maybe around INR50 crores.

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

Balasubramanian: Sir, what's the current scenario on the inventory levels for global operator levels? And what's the price ranges for optical fiber and optical fiber cables?

Mahendra Nahata: Look, inventories, one of the reasons why market was sluggish for 2 years, because people had built up huge inventories. So 2 years back, if you see fiber optic cable markets are booming like anything. There was no delivery available in U.S., delivery was 52 weeks. So people accumulated a lot of stock with the expectation that market would remain like that. But downturn in demand of China and lower demand in rest of the world and that time, data centers, hyperscalers were not there as much.

What happened, the built-up inventory consumptions took a lot of time? And that is why the fresh demand was very low. Now what has happened, that inventory is no longer there. It has been consumed in the last almost 2 years. And new demand opportunity has come up like hyperscale data centers and all that and fiber-to-home and all that.

As a result of that, now there is no such inventory left with the operators or data center providers. There's no such inventory left. And that is why you see a huge increase in the demand of fiber optic cable. And as I said, I think it will continue for at least 5 years. And this year, because of this kind of a demand, we expect to double our revenue from fiber optic business.

Balasubramanian: Sir, secondly, on that optical fiber and optical fiber...

Operator: Sorry to interrupt.

Mahendra Nahata: Let him continue this one.

Balasubramanian: So optical fiber and optical fiber cables pricing and...

Mahendra Nahata: Pricing, I will tell you. Yes. Fiber optic cable, the price which was coming to be around INR840 per fiber kilometer for cable is now around INR905 fiber kilometer. The fiber price, which was around INR266 in 31st December 2024 is around INR259 right now. So very marginal difference, while cable prices have gone up a bit per fiber kilometer, fiber price has gone down a bit. But again, these are very marginal changes. There are not much of changes. It remains almost stable between December and March.

Operator: Next question is from the line of Giriraj Daga from Visaria Family Trust.

Giriraj Daga: So my first question is regarding the order book. So we have roughly mentioned about INR10,000 crores of order book. When I look at the presentation, we have given the breakup between network service, O&M and products, and one segment was the government and the private.

What I would look out is that can we have the breakup between what you are mentioning between like what is the OFC, optic fiber and optic fiber cable-related order book? Second would be how much is the turnkey order book?

Mahendra Nahata: I can give you the breakup for that. The order book from telecom products, I would say, telecom products, which includes optical fiber cable, routers and everything is roughly about INR2,227 crores, out of which 50% is optical fiber cable, 50% is other telecom equipment, which includes, as I said a little while ago, INR800 crores from routers, about INR200 crores from fixed wireless access customer premise equipment, optical transport network and WiFi equipment. This is about INR2,200 crores.

Then roughly about INR4,000 crores would be from turnkey EPC solutions, EPC. EPC would be INR4,000 crores, which includes orders which we have received from BharatNet, of course, which includes orders from Jio, which includes orders from various other projects, different, different other projects. It is about INR4,000 crores.

And we are very cautious in taking orders in EPC. Only those orders we take where we expect the payments to be made in time and not based on milestones which are not under our control, because customer may delay, but if it is milestone based, I don't get paid, which happened in NFS in our case, which I'm very unhappy about.

Though Army is praising our network so much, but at the same point of time, we are not getting paid, because of non-completion of milestones, which is not my fault, which is a fault of either BSNL or Army itself. So we are taking orders only those orders, which are under our control in milestone and where the payment is quick.

Recently, I would not name the customer, I refused an order, which could have been more than INR2,000 crores for EPC. I refused. I was not sure about payments, when would they come and when would I be able to do that cable laying, because things were under not my control. So we refused INR2,000 crores order, I refused INR2,400 crores rather. I just refused. I did not take.

Giriraj Daga: Understood. So that's like 4,000 turnkey and telecom is 2,200 -- 2,200, 2,300.

Mahendra Nahata: And O&M is roughly about it will be INR3,675 crores. Defense is INR1,000 crores. BharatNet is about INR1,600 crores and different other projects put together will be INR700 crores or INR800, which is good that such kind of order book for O&M is very good, because then you start receiving yearly revenues, which are annuity kind of revenues and O&M profitability is a bit better than normal profitability in your normal business, in supply. So because it's more of a service business rather than supply. So this kind of an order book for O&M is, I think I feel pretty happy about.

Giriraj Daga: Okay. O&M is like what 10 years or 15 years kind of.

Mahendra Nahata: It depends upon it starts from 7 years, goes up to 10 years.

Giriraj Daga: Okay. 7 to 10 years. Okay. And any particular reason for this quarter, very weak performance in turnkey contracts?

Mahendra Nahata: Look, it's again, customers' dependent. Some cases, customers change sites. In some cases, they wanted to go a bit slow because of their own reasons. So it was mostly because of reasons from the customer side and some of the orders which we did not take, because of payment situation, we were not certain about. So it was major reason was that only. But this year, it should improve because BharatNet, where the payment conditions are good, we are going ahead.

And I think private telco should also increase their EPC orders, which last year was practically one fourth of what it used to be earlier, one fourth. This year, I think it should become better. And BharatNet should also give us reasonably good revenue, which was not there at all last year. This year, there should be some middle 3-figure revenue coming up from that also. So this year, it should become better. But again, as I said, we are very selective about EPC orders.

Giriraj Daga: Understood. In our segment reporting, we mentioned telecom products. So does like where do we account for the defense? Is it part of the telecom products only, any revenue in defense products?

Mahendra Nahata: Defense last year, you find that there were hardly any revenue from defense products. So it's not anywhere. But when we report it, we will report it separately.

Giriraj Daga: Okay. So this year, probably it's likely that we will have a separate reclassification of that.

Mahendra Nahata: Yes, definitely. As I said just now that we will be starting delivering one of the products fromQ2 both products, two products, we'll be starting delivering from Q2. So definitely, it will be reported separately. In Q2, we will be starting manufacture sorry, supply of those equipment.

Giriraj Daga: Okay. My last question is on capex. You mentioned about INR138 crores. Have you placed order? Was it part of FY '25 payment? Or will it be part of FY '26, INR138 crores for...

Mahendra Nahata: Yes, this would be this year, because we have placed orders, machineries are yet to be delivered. Some advance has been paid some 5% or so. The advance has been paid of this INR138 crores. But rest of them, LC has been opened. And when the shipment takes place, of course, at that point of time, we'll be paying for that.

So and those are very essential equipment in a sense that, when I talk of 100% additional turnover revenue this year, those machines are part of it because those machines are for specifically new types of fiber optic cable, which are required. I hope any of you would like to visit our factories in Hyderabad, where you can see these new machines and expansion and fiber and fiber optic cable production.

So those are the machines which are required, where the payment would be once -- apart from the advance which we have given, which is 5%. And that also we give against bank guarantee. But those are all reputed companies, bank guarantee or no bank guarantee. So those payments will be made in the current year.

Operator: We'll take the next question from the line of Deepesh Sancheti from Maanya Finance.

Deepesh Sancheti: I want to know about how much time would this transitional period you said that we are going through a transition phase. How much time according to you would take? And when will we see the parabolic growth, which we all have been waiting for?

Mahendra Nahata: Yes. I think this transition phase we say, you can say quarter 1 maximum, this quarter. And quarter 2 will start showing much better results improvement. Quarter 3 would be even better, quarter 4 should even be better. This is all, again, I say it's not a guidance based on my best of my opinion and expectation. This transition phase should last in quarter 1, that's it. Because some of the -- many of the orders which you have received, we start delivering from quarter 2.

This higher fiber optic cable, the new machines arrives and then we start dispatching those cables .Current machines will give 100% output. Fiber is already giving 100% output. Rather fiber optic cable now, they will also give 100% output from July onwards, though it can happen from June, but let us say July. In June, it may be 80% to 90%. But the further increase in revenue would happen once these new machines for which LCs have been opened would arrive, there will be further increase in revenue with those machines.

So that's why I see the transition period. But with all this capacity utilization improving, orders for new orders for supply of fixed wireless access equipment, implementation of BharatNet project, starting supply of routers and all those kind of equipment, this all would mean that this transition period would end in this quarter.

Deepesh Sancheti: Great. And also, when you mentioned about the order book, whether it is telecom products or EPC or O&M, we will maintain a similar margin profile? I mean, will we have a similar 15% margin on EBITDA margin on everything? Or will it be different?

Mahendra Nahata: Look, it depends from different products from different time. I cannot again say that X product will always have X, Y margin, because it becomes -- can vary customer to customer, quantity to quantity, time to time. One customer on fiber optic cable may give you 10% net margin.

Other can give you 20% net margin or the third one can give you only 5% net margin. Somebody like Reliance, for example, they will not give you more than 5%. They know the cost of every raw material and they add it together and add your 5% and give you the order. You know how they function.

Deepesh Sancheti: Absolutely.

Mahendra Nahata: So, it goes from 5% to 20% from different people, different companies to different customers. But yes, some of the customers would give low margin, but they make payment quite fast, like Reliance as an example, low margin, but quick payment. So fine, you are not worried about low margin because working capital rollover is much faster.

Deepesh Sancheti: Right. Sir, I mean, very exciting to hear about drone detection and fuses. What is the progress on drone detection? And also the fuses, you mentioned that you already paid for the artillery to the DRDO and you're expecting results by around Q2. Is that the right timeline? And what about drone detection? I mean, especially if you can throw some light on the drone detection.

Mahendra Nahata: Let me talk on the drone detection. That is in the final stage of software integration, software, hardware integration that is happening. And lab trials are happening. I think in 2 to 3 months' time, we will take it for field trial. And once the field trial, you will find some bugs and all that always happens. So it would be iteration would be there. But in this year itself, we would start production of those drone detection radar.

Another thing which we are doing, which I did not mention in my presentation, though, is talking to a possible partner to who has a soft kill option. Soft kill means you neutralize the drone either by jamming his GPS or blocking his frequency. That frequency which is operating, so he loses communication with his command center, and it falls down. GPS and this both jamming can take place.

That's why it called soft kill. It's not a gun or a bullet or a laser. It's a kill by jamming the spectrum or GPS. So we are talking to a possible partner. When we integrate which will take some time, when we integrate our radar and the soft kill option, the demand would become even better. Right now, it is radar, but there is going to be a huge demand opportunity for radar also for detecting incoming drones.

And beginning of this month, we have seen why do we need to detect the drones, how they come, hundreds and hundreds of they come. So detection becomes absolutely critical. The radar we have designed, a single radar can detect 100 drones at one single point of time. And maybe 1 centimeter length drone, which is a very micro drone that also would be detected by this radar.

Operator: Next question is from the line of Hardik Vyas from ET.

Hardik Vyas: Sir, I had a couple of questions. The first one being, what is the status on the BMP upgrades that we were thinking about in the previous quarters?

Mahendra Nahata: Yes. Look, this RFP is due on 1st July. 1st July, the RFP is due. It was due earlier in May, but they postponed it. Now it is due on 1st July. And we will definitely be participating in that. It's on 1st July. So we are waiting for date to come and to participate. As you know, five companies are shortlisted, Tata, L&T, governments' ABNL, ourselves and one of the companies, I forget the name where Adani also has got equity. I'm forgetting the name. So they are the five companies shortlisted.

And in the UTTR, the user trial, which had happened, readiness trial, where our BMP modified BMP functioned the best. Now of course, the RFP would be tender would be there where we have to participate. And who becomes L1, depending upon that order would be placed. But right now, the current date of submission of tender is 1st July.

Hardik Vyas: Okay. And sir, what would be the size of -- possible size of the order if we get it?

Mahendra Nahata: Yes. If I tell you the size, then I'm divulging my tender details.

Hardik Vyas: Okay. Not a problem. Sir, the second question is about the NATO order that we were likely to get from some export.

Mahendra Nahata: And the problem that happened is this delay in DRDO trial, which is, I paid money 6 months back and the 70 or 80 shells of ammunition of Munitions India Limited, not DRDO. This is Munitions India Limited, a government company, has not supplied till today. I don't want to say negative about government companies, but you can imagine what I'm trying to say.

Hardik Vyas: Okay. Okay. So is it likely in the near future? Or will it take a little bit of time.

Mahendra Nahata: June. They are now promising June.

Hardik Vyas: June. Okay. And sir, my last question is for the drone detection radar and other defense products that we are developing and probably from the second quarter, we will have contribution in the revenues. What is the opportunity on the export front for these same products that we are going to sell to?

Mahendra Nahata: There is a reasonably good opportunity. For fuses, for example, I'm receiving inquiries every now and then from different countries. I received another inquiry just 3 days ago for 20,000 fuses, just 3 days ago. We are receiving inquiries from a number of countries. There's a huge opportunity for export of fuses for artillery guns, particularly 155 mm proximity fuse.

Everybody wants that. But unfortunate part is, as I mentioned, our own default in our country that you are not able to get 70 pieces of ammunition to fire, whereas military must be firing during this war, 700 pieces every minute.

Hardik Vyas: Okay. Okay, sir. And the last question is, sir, for our EPC business that we did in FY '24, not FY '25. So we would be replicating that those numbers for this financial year?

Mahendra Nahata: Not giving any guidance, To the best of my knowledge and order book which we have, it would be somewhere between INR1,200 crores to INR1,500 crores.

Operator: We take the next question from the line of Lakshmi Narayanan from Ksema Wealth Private Limited.

Lakshmi Narayanan: Sir, you have said you are guiding for 100% revenue growth. Could you just say from which segment would be the driver? And also, could you put a number on the same, sir?

Mahendra Nahata: Let me be very clear. I said 100% growth in fiber optic cable and associated business, not on an overall basis. That's just limited to fiber optic cable and associated like passive connectivity solutions and all that. And this is on different variety of customers, indigenous, export, data center, drop cable, normal cable and those kind of things.

Lakshmi Narayanan: Sir, as telecom products as a whole, what would be your expectation, sir, if it's possible to put a number?

Mahendra Nahata: Telecom equipment business?

Lakshmi Narayanan: Yes, telecom products as a whole.

Mahendra Nahata: Again, this is no guidance. This is just based on my current orders and expectations of orders which we have. I would again say it's something like INR1,200 crores to INR1,500 crores. I'm not giving any guidance. Don't take any of the number I've given as a guidance. These are my estimation based on my current order book and expected orders.

Operator: Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.

Mahendra Nahata: Thank you, Navya. I thank you all of you who have come and attended this call. And I can again assure you that though the last quarter of the last year was not the same as you desired as it was a period where fiber optic cable demand was very low, same point of time, EPC operator's and the customers decided to shift size or remain quiet for some time and also macroeconomic situation around the globe.

This transition period, as I also said, should into the best of my estimation and in the current -- during the current -- after the current quarter. And in Q2, we should start picking up revenue from defense equipment business significantly. And at the same point of time, we would also start getting revenue from new products like routers. This is a new product, but still we have got an order of INR800 crores.

So with this increase in revenue from defense, fiber optic cable, major increase in fiber optic cable, start of revenue from defense segment, then EPC revenue coming up, including from BharatNet program. And I also expect BharatNet, whatever has happened till now is not the end, state-led models of 7 or 8 states is still to come up. Once that comes up, I believe the Company should get reasonably good orders from that segment also.

Till now, what orders we have got from BharatNet is roughly about INR4,800 crores. But those are the 13 circles. And we expect more from these 13 circles, of course. But from the upcoming tenders of different states, which have not yet come, again, we expect good size of orders to come to the Company. So there would be real good rebound in FY '26. And fiber optic cable, as I said, should see 100% progress.

And as also I mentioned for other areas also. So I look forward with good optimism for financial year '26. And this every sector, company has this kind of a transitional period, because of demand situations in the sector and the worldwide demand and when you're quite dependent on exports, that kind of a situation, but it improves rapidly also, which has happened in our case, because of mushrooming of data centers and renewed demand from telecom operators.

So thank you very much. Look forward an excellent '26. Thank you very much. Thanks to all of you.

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

Mahendra Nahata: Thank you.