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HFCL/SEC/25-26

October 28, 2025

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

Subject: Transcript of Conference Call on the Un-audited Financial Results of the Company for the 2nd Quarter and Half Year ended September 30, 2025, of the Financial Year 2025-26.

Dear Sir(s)/ Madam,

This is further to our earlier announcement dated October 17, 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 October 17, 2025, on the Un-audited Financial Results of the Company for the 2nd Quarter and Half Year ended September 30, 2025, of the Financial Year 2025-26, which were considered and approved by the Board of Directors of the Company, at its meeting held on October 17, 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.

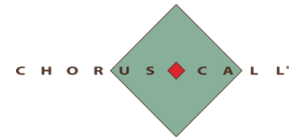
Yours faithfully,
For **HFCL Limited**

(Manoj Baid)
President & Company Secretary

Encl: Copy of Transcript.



**“HFCL Limited
Q2 FY26 Earnings Conference Call”
October 17, 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**

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



Moderator: Ladies and gentlemen, good day and welcome to the HFCL Q2 FY '26 Earnings Conference Call hosted by ICICI Securities Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements are not the guarantee of future performance of the company and it may involve risks and uncertainties that are difficult to predict.

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

I will now hand the conference over to Mr. Mohit Lohia from ICICI Securities Limited for opening remarks. Thank you, and over to you, Mohit.

Mohit Lohia: Yes. Hi, thank you, Ryan and good afternoon, everyone. Thank you for joining us today for Q2 and H1 FY '26 earnings call of HFCL Limited. 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.

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

Mahendra Nahata: Thanks, Mohit. Good afternoon, ladies and gentlemen.
I extend a warm welcome to all of you on HFCL's earnings call for the second quarter and half year ended on September 2025. I trust you have had the opportunity to review our financial results, press release, and investor presentation, which are available on our website and the stock exchanges.

The world around us is changing at an unprecedented pace- driven by rapid advances in Artificial Intelligence, cloud computing, and digital infrastructure. Technology is no longer just an enabler; it is reshaping economies, industries, and societies. Supply chains are being redefined, and customers are demanding smarter, faster, and more sustainable solutions. Against this backdrop, HFCL is making a decisive and confident shift, moving beyond "Make in India" to "Innovate in India," creating cutting-edge products and solutions which are capable to serve both domestic and global markets. The telecom industry is at an inflection point. India continues to be one of the fastest-growing telecom markets globally, with 5G rollouts accelerating and Bharat 6G Vision 2030 shaping the roadmap for the next decade. Data traffic in India is expected to grow at a CAGR of ~22.39% over the next five years, driven by increasing smartphone usage, OTT consumption, and enterprise digitization.

After a subdued phase, the global Optical Fibre Cable (OFC) market has witnessed a strong revival, led by surging demand from hyperscalers and data center operators. The explosion of AI

workloads and cloud applications is fuelling demand for next-generation, high-fibre-count cables, a trend that is expected to sustain for several years. This revival perfectly aligns with HFCL's strengths in design, manufacturing, and innovation, positioning us to capture larger share in the global market.

Globally, telecom operators are ramping up investments in fiber networks to cater to the increasing demand for data consumption. Our investments in enhancing the optical fiber and optical fiber cable capacities, indigenous telecom and networking products and solutions position us to benefit from this sustained wave of network modernization.

Our progress in Q2 FY26 reflects our strategic vision with capacity expansion initiatives, significant defence opportunities, a robust export pipeline being built and industry-leading ESG credentials fully align with our long-term strategy.

As we discuss today's results, I will share how these initiatives, together with our broader strategy, are positioning HFCL for sustained growth and leadership in telecom, defence, and digital infrastructure.

This quarter marks a transformative milestone for HFCL as we begin the planned expansion of high fibre count Cable manufacturing capacity from 1.73 million fkm p.a. to 19.01 million fkm p.a.. This expansion has already commenced and is partially operational. It will be fully operational by June 2026.

Upon completion, HFCL's total OFC capacity will reach 42.36 million fkm per annum, positioning us among the top global OFC manufacturers. This scale advantage will not only enable HFCL to cater to rising global OFC demand but will also lead to improving cost efficiencies and market competitiveness.

HFCL continues to strengthen its global footprint. In the first half of FY26, we secured export orders exceeding INR 650 crore for supply of Optical Fiber Cables, from leading international customers, to be executed by April 2026. More export orders are in the pipeline.

These opportunities reflect the growing confidence global customers have in HFCL's technology, reliability, and execution excellence.

On the optical fibre front, our capacity expansion program is progressing extremely well. We have already achieved a capacity of 28 million fibre kilometres per annum. With all our optical fibre and cable plants now running at full capacity utilisation, we are well-positioned to cater to the surge in global demand, particularly driven by AI, cloud, and hyperscaler-led network expansions.

Our 'Eka' Optical Fibre, engineered for higher performance and reduced signal loss, is gaining rapid adoption across domestic and international customers and is expected to contribute a major share of our fibre revenues going forward.

In the defence business, HFCL continues to build momentum across multiple fronts. Our subsidiary, HTL Limited, secured a prestigious contract worth ~₹101.82 crore from the Indian Army for the supply of Tactical Optical Fiber Cable and related accessories. This is more than a business win, it is a strategic contribution toward strengthening India's defence communications capability and underscores HFCL's expanding role in building secure, indigenous defence solution that support national security objectives.

Additionally, HFCL has secured an order of approximately ₹50 crore for Thermal Weapon Sights, with execution already underway at our Hosur facility. This marks another step forward in our commitment to indigenous defence manufacturing and reinforces our growing presence in high-impact, security-focused technologies. With multiple tenders already participated in, we expect more such significant orders to follow, further strengthening our position in India's defence electronics ecosystem.

HFCL is well positioned to capitalise into a significant opportunity in the defence electronics space. The ongoing geopolitical environment, marked by heightened global conflicts and rising defense modernisation priorities has created significant opportunities for indigenous manufacturing. Global inventories for electronic fuzes, shells, and other armaments have depleted, creating urgent and strong demand for local manufacturing. Our electronic fuzes are currently in the final stages of trials, which we expect to complete by the end of next month. Upon successful completion, which we are confident of, we will be well-positioned for large-scale production and supply to defence establishments.

In parallel, we are developing a state-of-the-art drone detection radar with a soft kill option, which is expected to enter production within the current financial year. Lab trials are underway, and field trials are set to begin shortly. The product has already attracted strong market interest, driven by the growing need for autonomous aerial threat management systems. A landmark development during this quarter was the sanction of 1000 acre land parcel by the Government of Andhra Pradesh to set up a defence manufacturing complex. This upcoming facility will focus on the production of Artillery Ammunition Shells, Multi-Mode Hand Grenades (MMHG), and other critical defence products.

We continue to strengthen our position in India's defence ecosystem through deeper engagement and participation in large-scale indigenous programs. During the quarter, we participated in a significant bid for the upgradation of 811 BMP-2 Armoured Fighting Vehicles of the Indian Army. This program represents a key milestone in India's defence modernisation and self-reliance journey.

Our ongoing defence product developments, from electronic fuzes and radars to thermal weapon sights, coupled with the upcoming defence facility in Andhra Pradesh, will help HFCL establish a centre of excellence for defence electronics manufacturing in India, with both domestic and global opportunities.

The quarter also witnessed solid traction in India's digital connectivity programs. HFCL has been playing a critical role in the BharatNet initiative, and I am pleased to share that we have received

additional orders for routers under the BharatNet project for the West Bengal Circle. We have participated in two additional circles this quarter. We expect meaningful order inflows from these circles, further strengthening our leadership position as a key partner in building the nation's broadband infrastructure.

Our indigenously developed telecom and networking products continue to witness strong demand across telecom, enterprise, and broadband applications, reflecting our growing relevance as a technology-driven solutions provider.

These initiatives mark HFCL's strategic shift toward high-value, technology-driven manufacturing in defence and telecom. With expanded scale, diversified product lines, and export tailwinds, HFCL is poised for sustainable and profitable growth.

Our plants continued to operate at full capacity utilization, underscoring robust demand across telecom, defence, and exports.

HFCL has taken a strategic decision to divest its entire 15.19% stake in Nivetti Systems Private Limited for ₹52.51 crore. While the transaction is currently underway, this move reflects our intent to sharpen focus on core strengths in telecom and defence. The capital redeployment will support high-growth, innovation-led initiatives aligned with our long-term vision.

HFCL continues to be a front-runner in sustainable business practices. Earlier this year, we received an ESG rating of 63 from NSE Sustainability Ratings & Analytics Ltd. I am pleased to share that this has further improved - ESG Risk Assessments and Insights Limited (ERAIL) has now assigned HFCL an ESG rating of 65 (Strong) and CFC Finlease Private Limited has rated us 73 in October 2025.

These achievements reflect our unwavering commitment to environmental stewardship, social responsibility, and strong governance. For HFCL, ESG is not merely a compliance exercise. It is a strategic imperative that drives innovation, operational efficiency, stakeholder trust, and long-term value creation.

Financial Performance — Q2 FY26

- Revenue: INR 1043.34 Crores (Q2 FY26) vs. INR 871.02 Crores (Q1 FY26) and INR 1093.61 Crores (Q2 FY25)
- EBITDA: INR 203.37 Crores (Q2 FY26) vs. INR 42.93 Crores (Q1 FY26) and INR 171.82 Crores (Q2 FY25); EBITDA margin: 19.49% vs. 4.93% (Q1 FY26) and 15.71% (Q2 FY25)
- PAT: INR 71.92 Crores (Q2 FY26) vs. INR -29.30 Crores (Q1 FY26) and INR 73.33 Crores (Q2 FY25); PAT margin: 6.89% vs. -3.36% (Q1 FY26) and 6.71% (Q2 FY25)
- Segment revenue — Telecom Products: 51.43% (Q2 FY26) vs. 66.35% (Q1 FY26) and 46.46% (Q2 FY25)

- Order book: INR 9981 Crores (as of September 30, 2025) vs. INR 10,480 Crores (previous quarter)

These strong financial results reflect the robustness of our business. As we look ahead, HFCL's journey is clearly defined by innovation, diversification, and execution excellence. From the revival of the global OFC market and the ramp-up of our IBR capacity, to breakthroughs in defence manufacturing and expanding export momentum, each milestone reinforces HFCL's evolution into a technology powerhouse with global footprints.

With strong foundations, expanding opportunities, and the trust of our stakeholders, we remain committed to delivering sustainable growth and long-term value, guided by our philosophy to Innovate in India, for the World and to strengthen India's technological sovereignty.

Thank you once again for your continued support.

Moderator: Thank you. The first question comes from the line of Abhishek Jain from Arihant Capital. Please go ahead.

Abhishek Jain: Thank you for taking my question. And wishing you and HFCL team on Happy Diwali. Just want to understand, sir, what will be the impact of U.S. tariffs on our business? Second question on the follow-up side, are we maintaining our 20% guidance on the revenue side for this year?

Mahendra Nahata: Abhishek, thank you very much. First of all, yes, we are maintaining that guidance of 20%, and you will see increase in revenue coming up from the current working quarter. So I'm maintaining that guidance, number one.

Number two, Abhishek, impact of U.S. tariff, this is something, - can anybody predict what is going to be tomorrow? Not even Government of India can predict what Mr. Trump will come out with something else tomorrow. But anyway, having said that, we have been able to minimise tariff impact on HFCL. I don't want to go into that detail, but we have been able to minimise through completely legal procedures.

There's nothing misdeclaration or nothing illegal about it, very legal procedures. With relevance to certain U.S. court decisions and customs ruling, we have been able to minimise a tariff impact on HFCL, that much I can say. So there is very minimal impact on HFCL's exports, which is mostly optical fiber cable to United States. It would not be proper for me to go in more detail, but I can assure you impact is minimal.

Abhishek Jain: One more just a follow-up question. Can you talk about how we are doing in defense? And what kind of strategy if you can talk about two year or three year strategy on the defense, what kind of revenues we can see on the defense side?

Mahendra Nahata: Abhishek, I see defense is going to grow very strong. Government of India has decided to strengthen our defense preparedness as we all know from the normal news items, media statements from our various leaders we see. And there is a huge emphasis on self-reliance that more and more things are to be produced locally.

So one, there is a big growth in the defense market as a whole. And if there is a growth, then all the people who are able to produce locally with this importance of self-reliance are naturally going to grow. Of course, doing anything in defense takes a little time, a little extra time, I would say, because of the test procedures involved.

As far as HFCL is concerned, we are doing a lot of things in defense. One, communications side, yes, we have executed a very large network, and we expect to start annual maintenance contract of that, which would be about INR170 crores per year, which has already been accepted by Indian Army.

Then, our electronic fuzes have already reached the testing range. I expect that within the month of November, the testing would be completed. And I'm very sure that our fuzes will pass those tests. And I expect a very, very good demand coming up for those electronic fuzes, not only from India, but from many other countries.

Moreover radars, which we have designed, which I did not cover in my speech, those are attracting very good traction. Radars are not only used for border defense, they are going to be used for many of the critical infrastructure within India also. So we are going to give a full presentation to the Home Ministry also that how these radars are useful for not only border, where also Home Ministry is responsible to a large extent, like BSF and all that; BSF, ITBP, all come under Home Ministry, not Army alone.

And also coastal surveillance, where Navy is already trying our radar for the last 6 months. They first tried one. Now, they have put 2 more in 2 different locations. I'm not free to tell you those locations. And they are able to monitor ship movements around those areas with the connectivity to the naval headquarters. Naval headquarters, they can see the ship movements happening in those areas. Those are the kind of radars we have developed. Our drone detection radar would also be ready very soon with the soft kill capability.

So these are equipment and some more equipment, which we are designing, like maritime detection radar. This is another equipment we have designed. Electronic fuzes, as I already told you. So all the radars, fuzes, participation in BMP-2 upgradation program, which is a multi-thousand crore program, where we are 1 of the 5 shortlisted parties.

I'm sure with number of more products, which we are talking about, including ammunition, which is going to be another area of our expansion, where we have already been allotted a 1,000-acre land parcel in Andhra Pradesh, where we propose to set up a factory for producing ammunition and several other products of defense application. And all that put together, I'm very, very confident about defense business in future.

When you come to revenue expected, next year, coming year, which is in the current year, I would say, I expect roughly about INR200-plus crores of revenue from defense. Next year, it should exceed INR500 crores. And year next to that, I'm pretty hopeful. I'm not giving any prediction or guidance, but we should reach in 4 figures. The number of products which we are having and number of new products we are developing, defense revenue should increase multi-fold in coming years.

Abhishek Jain:

Sir, what will be the margins on the defense segment?

Mahendra Nahata:

Look, it depends on product to product. Generally, since defense is a market which is a bit of a difficult market, margins are better than normal communication products, I would say. So you can say 15% net margin as a general rule, I'm saying. Somewhere it could be 10%, somewhere it could be 20%. But as a general rule, I'm saying. In export, it can be as high as 20% to 25%.

Abhishek Jain:

Profit margin, sir?

Mahendra Nahata:

Yes, profit margin.

Abhishek Jain:

Sir, last question. Sir, is there any compelling case for us, because now we are entering, working into 3 different segments; telecom product, EPC and defense, is there any compelling case for value unlocking via demerger or any other opportunity for us?

Mahendra Nahata:

We have not really thought about any such thing at this point of time. If we think about it, we'll come back to you.

Moderator:

The next question comes from the line of Balasubramanian from Arihant Capital.

Balasubramanian:

Sir, beyond high-count-fiber cables, what specific passive connectivity solutions products you are developing for hyperscale data centers? Recently, one of the wire and cable players mentioned nearly 8% to 9% of our total data center project cost goes for wire and cables. I just want to understand what kind of opportunity size we have, especially for data centers?

Mahendra Nahata:

Yes, Mr. Bala, high-fiber-count cable is just one of them. Then, MPO cable solutions, for example, connecting rack-to-rack connectivity, those are some of the opportunities which are there. Likewise, a lot of passive connectivity solutions we are developing, not only high-fiber-count cables, which are used for long-distance connectivity, from data center to data center, but within data center connectivity solutions also we are developing at this point of time.

And the way the hyperscaling of data centers are taking place all over the world, predominantly in US, and now India is also doing a lot of work in this area. We expect that revenue from our passive connectivity solution, including that for telecom, which we expect this year to be around INR400 crores, should reach to 4 figures in the next financial year. That is our expectation, because we are developing those passive connectivity solutions for data centers also, which is taking a little time because those are very specific, very high-tech solutions.

And I think we should be able to complete those developments by January or so and start exporting those passive connectivity solutions also apart from the high-fiber count cables, which we are doing at this point in time.

Balasubramanian:

Okay, sir. Sir, I think, two years back, we used to maintain nearly 19%, 20% kind of margins on telecom product side. I think right now this quarter we have reached nearly 23.7%. How do you look at telecom products margin in coming quarters for next two years to three years timeframe? And also, if you can give update on pricing trends for OF and OFC side and inventory levels on global operator side?

Mahendra Nahata: Balasubramanian, there is a lot of noise behind you. Your voice is not clear. I can't understand what you're exactly saying.

Balasubramanian: Sorry, sir. Yes. Sir, I'll repeat again. Two years back we used to maintain nearly 19% to 20% kind of margins for telecom product side. In this quarter, we have reached 23.7%. I think it's above earlier levels. I just want to understand what kind of margins we can expect next two years to three years' timeframe? And secondly, and if you could please update on the pricing trends on OF and OFC side and inventory levels on global operator side?

Mahendra Nahata: Margins, Mr. Balasubramanian, varies from product-to-product, customer-to-customer, time-to-time, and again, competition dependent. This quarter, our EBITDA margin has been 19.49%. In this current financial year, we expect to be around that only. Specifically, I cannot tell you what which product would get how much margin at what timeframe.

Like, for example, last quarter, fiber optic cable margin was very bad. This quarter, it has improved. So telecom products also it varies product-to-product and time-to-time. Generally, you can say net margins are centered around 10% or so generally. And EBITDA margin would remain about in any way 18% to 20% kind of a number. But I think we should be able to maintain the same number what we are seeing right now.

Amit Agarwal : Bala, we can take your questions offline. There is a lot of echo in your voice.

Balasubramanian: Okay, sir.

Moderator: We take the next question from the line of Pranav Kshatriya from Emkay Global.

Pranav Kshatriya: Hello. I got a couple of questions. Firstly, I see export share for telecom products have gone up to 26%. Can you give some color on the type of demand you are seeing? Are you seeing higher fiber count because of the data center rollout, which has sort of accelerated? Some color on the volume growth where it is coming from and how the pricing is trending. That's my first question.

And second question would be the margin performance on the overall basis has been pretty good in this quarter. Are there any upside levers or a downside risk to those numbers? These are my two questions.

Mahendra Nahata: Pranav, I can't give any color. I can tell you whatever it is, plain and simple. There's no coloring out here. So exports have increased. Definitely, it is 28%, and majorly because of fiber optic cable. And within fiber optic cable, yes, data centers are contributing a lot because that's a new market opportunity which has opened up.

But telcos are also contributing a lot. We are exporting a lot to telcos also. We have been able to get into Tier 1 telcos in Europe and America, both. Hitherto, we were not able to supply to Tier 1 operators. But now, we have got entry into Tier 1 operators also, which is a very good thing. And that will provide stability and increase in exports.

If you ask me, if I look at the current market situation of fiber optic cable and what I see happening in the next three years in terms of increase in AI usage, increase in OTT usage,

machine-to-machine communication and all those kind of things, which are happening, particularly AI, I think the next three years to five years demand of data center or even telcos for high fiber count cable demand is going to be very, very high because data capacities are increasing immensely.

I just had one figure. United States as a single country, millions of new servers are being put every year, millions. While in India, we are talking about a lakh every year. But there, they are talking millions every year. That kind of growth in data center is happening. And we are able to capitalize on that growth. That growth doesn't mean they're supplying to data center alone.

But telcos also carry data center traffic. When data center many places, data center are interlinking by themselves. Many places, they are carrying their traffic on telco networks. There the demand is coming from telcos. It is data center and telcos both, which are giving us this order book. But high fiber count cable is being used by both of them. It is a misnomer that it is only data centers. It is telcos and data center both.

In India, as the demand grows, the capacity requirement of carrying data would be to the part of telco. The telcos will be buying more fiber. So it is the kind of a situation where data center increase in data consumption is increasing the demand of fiber optic cable, maybe by telcos, maybe by data centers. That is one.

Second, the price, of course, of the fiber optic cable realization has improved from previous realization of fiber optic cable in terms of fiber per kilometre, which was roughly about INR850 per kilometre in last quarter, just the last quarter. It has gone up to about INR950 per kilometre or so. INR100 per kilometre has been increase in the realization of per kilometre of fiber for fiber optic cable. It has gone up by about INR100. That is how you see the increased EBITDA margin also.

And I'm sure this good demand trend for fiber optic cable will continue for three years to five years at least. And our strategy of increasing our capacity for fiber, which we have already taken to 28 million fiber kilometres per year, and cable, which will very soon become 45 million fiber kilometre equivalent cable per year, really has shown good results, and it is going to keep on showing better and better results for next three years to five years because of continuous increase in demand.

And as far as the company on overall is concerned, not only this, but demand for defense products, which we are now on the verge of receiving better orders, and also, at the same point of time, government-led programs, something like BharatNet, for example, where we have already got massive orders and number of circles are still going to follow, we expect to receive reasonably good size of orders either directly by participating in the tenders or from the companies which participate in the tenders and win the contracts from them for supply of cable and different equipment.

The future is, in my opinion, increase in demand in export, increase in demand locally. And then, at the same point of time, defense on the verge of explosion now, I would say, in the country in terms of increase in demand, we expect a very good future.



Pranav Kshatriya: Sir, just a small follow-up here. Can you talk a little bit about how is the capacity utilization been during this quarter? I understand that you're expanding capacity. But currently, whatever capacity you have, how much is the capacity utilization?

Mahendra Nahata: 90%.

Moderator: The next question comes from the line of Bajrang Bafna from Sunidhi Securities.

Bajrang Bafna: Congratulations for a good set of numbers, sir, after a lull of last two quarters. So broadly, as per your commentary, it is very much evident that the demand for both fiber and cable is going to extrapolate because of not only telecom side, but also from the AI and the data center side.

So when we are guiding for these margins or the capacity utilization development, across the global scenario consideration, can we think of the prices of these both fibers and cables are also going to inch upwards due to this massive upsurge in demand and considering the demand-supply scenario going forward? So if you could guide on that front, it will be really appreciated, sir.

Mahendra Nahata: Bajrang, it's a good question. Prices is always a function of demand and supply. If you ask me in general that whether fiber optic cable prices is going to go up, it is a yes and no answer. Because the different kind of fiber optic cables, some have excess capacity, some have low capacity.

What we did, we foresaw this demand of high-volume fiber optic cable coming up much in advance. As a result of that, we developed those high fiber-counting cables. Up to 1,700 fiber count, we have already developed. We are on the verge of developing another cable of 3,400 count fiber optic cable.

So those kind of cables, which are very difficult to produce, only a few people are able to produce, and there are more number of buyers than there is a capacity to supply, then I expect not only capacities to be filled up very quickly, but also at the same time, there could be some increase in the pricing also.

Another point I would like to say, today, there is a rush to book capacity by the buyers. We have a situation where buyers are asking us for three years' commitment to supply a particular quantity. And we are not able to give that kind of a commitment. We don't want to give that kind of a commitment because we expect better pricing to come in future.

And we being backwardly integrated to a level of supply by manufacturing fiber and different other raw material have a natural advantage of economies of scale also. So we are shying away of giving three-year commitment to the buyers. There are Tier 1 operators for data centers, as well as telcos, world's leading telcos, which are asking us three years' commitment for supplying the quantity. They want to book our capacity, which we are not willing to do at this point of time. That's the kind of a situation.

I'm sure with that kind of a demand-supply situation for a specific type of specialized cable, which is not only cable specialized, but fiber is also specialized, because when you want 1,700

fiber cable in a particular diameter, you have to have a very good technology to pack those many fibers in small diameter. So we are able to do that.

And that limits the number of suppliers vis-à-vis demand. So that will not only book our capacity for all our expansion we are doing, maybe we will have to consider more expansion at some point of time in very soon. But at least we definitely expect, yes, you're right, some increase in the pricing in months to come.

Bajrang Bafna:

Got it, sir. And sir, just one extrapolated question. Now, we are going to go towards 45 fiber kilometres capacity next year onwards. So how do you see considering this kind of significant surge in demand over next three years to five years, this capacity is going to be filled up? Are we going to see the 80% sort of utilization in FY '28 or...?

Mahendra Nahata:

More than that. As I said, people are asking for three years' commitment of reserving the capacity. Where is a question of our fulfilling the capacity? Capacity, if I want, I can fill it immediately. We are not doing that, because right now, we are looking at the kind of demand scenario. Prices may become better. Why should I book orders for three years? So there is absolutely no issue. Absolutely no issue.

Bajrang Bafna:

So just a broader thought process that if 45 we are able to utilize 80%, 85% utilization in '28, we are talking about almost assuming INR1,000 sort of realization, INR3,500 crores sort of topline and with 20% margin, this itself can give us INR700 crores plus EBITDA within two years' timeframe. Is my understanding going rightly?

Mahendra Nahata:

This is your fair calculation on the basis of the current results. I would not give any such forward-looking statements, which law prohibits me from doing so.

Bajrang Bafna:

I got it, sir.

Mahendra Nahata:

For calculation, which is you are an intelligent person. I would only say that.

Bajrang Bafna:

Got it, sir. And just, China is a factor. Always, they have done the suppressing the pricing side for the entire sector. And now, there is an emergence where U.S. or Europe, they don't want these Chinese cables to come into their uses. So how do you see that China is a factor for the overall context, global context and for our company?

Mahendra Nahata:

Look, China is not a factor in many of the developed markets, Europe and U.S. Most of U.S., not at all. Europe, most of the countries don't use Chinese cable because telecom as such, they don't want to use Chinese because of geopolitical reasons, not for any other reason. But Chinese quality is always a suspect, of course, but I don't say that China cannot produce good cable.

They can also. But for geopolitical reasons, they don't want to use. So I don't find China is a big threat in our current market opportunities. When we go to the markets, which are Chinese-dominated markets, at that time we will see. But right now we don't intend to do that because in our own markets where we are supplying, there is enough demand for us, where we don't have to compete with Chinese.

Bajrang Bafna: Okay. Got it. Thank you and all the very best, sir.

Moderator: Thank you. The next question comes from the line of Hardik Vyas from ET. Please go ahead.

Hardik Vyas: Good afternoon, sir. I had a question. I wanted a breakup of 5G products in optic fiber and other 5G products?

Mahendra Nahata: No, there is nothing called 5G products in optic fiber cables. Optic fiber cables are used for 2G, 3G, 4G, 5G, 6G, for everything.

Hardik Vyas: Yes. So optic fiber cables revenue and other 5G products revenue that is the contribution that I'm looking at?

Mahendra Nahata: Okay It has been 82% and 18%, roughly about 80-20, you can say, 80% has been optical fiber cable and 20% has been other products. The reason 5G product revenue in this quarter was low because we had a problem in supply of chipsets from one of the big chipset vendors. I don't want to name a company. We had a supply problem from them. Otherwise, it would have been higher by another 10% to 15%. Because of the chipset supply being delayed, this became a bit lower. Otherwise, it could have been much better.

Hardik Vyas: Okay. So that problem has been rectified now, and so we can have a better revenue in coming quarters, right?

Mahendra Nahata: Yes, that problem has been rectified. We have started receiving those chipsets from last week. So this will certainly improve this quarter. As a percentage, it could improve some. But if fiber optic cable revenue further goes up, percentage may not improve that much, but the absolute amount would improve.

Hardik Vyas: Okay. Sir, my second question is pertaining to IBR cables. We are presuming that the pricing of IBR cable would be substantially higher than normal optic fiber realization of roughly INR950 to INR1,000 that we are getting in optic fiber cable. IBR would be substantially higher than that?

Mahendra Nahata: I don't say substantially, but some percentage higher it could be because it's a newer technology and machines are very costly. Not many people are able to produce it. And then, you have to have a development capability to design these kind of cables, which are very difficult to design. So when there is a demand-supply gap, where the supply is lower than the demand, prices tend to become a little high in a sense that it becomes a little higher than normal loose tube cable, where the capacity is immensely high, but the demand is not that much.

Hardik Vyas: Okay. And sir, my last question is pertaining to the PCS revenue. This year for telcos and data centers, we had put the number at INR400 each, if I'm not wrong?

Mahendra Nahata: No. This year, we said total INR400. Next year, we said INR900 to INR1,000, both put together.

Moderator: Thank you. We take the next question from the line of Aagam from RSPN Ventures. Please go ahead.

Aagam: Yes. I had two questions from my side. Am I audible?

- Mahendra Nahata:** You are audible, but not very well. But any way, you continue.
- Aagam:** Yes. So are we planning to develop any facilities in the U.S. for catering to the BEAD demand?
- Mahendra Nahata:** Look, no, not at this point because BEAD funding itself has not started to a great extent. And even without BEAD demand, we have a very good demand coming up from U.S. So there's no reason why should we be increasing our capacity for BEAD, which itself is BEAD funding has not been to the extent in the current U.S. administration, what it was expected to be in the last regime.
- What was expected this regime, that has not happened. So BEAD demand is very little. And in any case, whatever capacity we have, it is being fully used in Europe, U.S. and our other Middle East and other markets. So there's no reason for us to unnecessarily invest to cater that very little demand in U.S. for the BEAD.
- Aagam:** Okay. And just wanted to understand better a bit on tariffs. What is the current effective tariff rate that which is getting applicable to us? And how are we mitigating the impact of tariffs? As you said that the impact is very minimal, so what is the effective rate if not the methodology from which we are able to reduce the tariff?
- Mahendra Nahata:** Confidential question. I would not give you a straight reply to that of the percentages and all that. But at least I can say it is a minimal impact, and it has been mitigated by absolutely lawful way of doing the things, and impact is minimal, that much I can say. Percentages and all that, I would not go into that detail at this point of time. But yes, I don't say that there is no impact. Small impact might be there, but there is not a large impact.
- Moderator:** Thank you. We take the next question from the line of Nikhil Purohit from Fident Asset Management. Please go ahead.
- Nikhil Purohit:** Sir, what was the Hosur facility capex that we've done till now?
- Mahendra Nahata:** Can you repeat? I couldn't follow.
- Nikhil Purohit:** The capex of the Hosur facility, the defense facility?
- Mahendra Nahata:** Not much. It is around INR15 crores to INR20 crores.
- Nikhil Purohit:** Okay. And overall, what is the capex that we are planning to do there at the max and what are the asset turns there?
- Mahendra Nahata:** Hosur, you are talking about?
- Nikhil Purohit:** Yes. Correct.
- Mahendra Nahata:** INR50 crores more, we expect to do that maximum.
- Nikhil Purohit:** Okay. And what are the asset turns in this, like the peak revenue that we can do?

- Mahendra Nahata:** This all depends. One of the major program we have participated in is the BMP-2 upgradation. If that happens, then whether that will happen or not, I don't know. This is a tender and we may win, we may lose. If that happens, then it may reach to at a peak a few thousand crores per year. It can reach to a couple of thousand crores per year also. But yes, without that, I'm not taking that aberration into account, but yes, Hosur facility itself has a capability to give INR400 crores to INR500 crores per year.
- Moderator:** We take the next question from the line of Aman Vij from Astute Investment Management.
- Aman Vij:** Good evening, sir.
- Mahendra Nahata:** Good evening.
- Aman Vij:** My questions are on the defense side. So first on fuze side. So on last call, you were expecting the trials to get over in August, if I believe.
- Mahendra Nahata:** October.
- Aman Vij:** So is there a trial..
- Mahendra Nahata:** No. October was the timeframe. I can tell you...
- Aman Vij:** Okay.
- Mahendra Nahata:** Even without going in detail, DGQA agreed for testing. The ammunition, which was to be supplied by MIL, Munitions India Limited, because they are the only producer of this kind of ammunition. One particular type of ammunition, which is a part of testing got delayed by them and that was supplied only beginning of October.
- After that, supply of that particular ammunition in October, we have applied for test range to DRDO, which is in Balasore. Our fuzes have already reached Balasore, ammunition has reached Balasore. Now, we are just waiting for the quotation from DRDO for the use of that test range. And once we receive quotation, we will make the payment and they would give us a date at which time this testing will take place.
- So I think it should be done within November. It has got delayed by two months. One, delay in ammunition supply. And as a result of ammunition supply delay and there are holidays and all that, so DRDO is yet to give us quotation, which I'm expecting immediately after Diwali. Then, the November testing should be completed. But our fuzes, ammunition, everything is in Balasore, now in possession of DRDO.
- Aman Vij:** Sir, just adding to your point, so last time also, there was this testing and tenders, and for whatever reason, every order got to the public sector companies and not us. This time, are you seeing anything which is different? First question is that. And second is, you expect the result and orders within next two months, three months, that is very fast. So all those winter, summer trials, all these things are done.

Mahendra Nahata: I never said two months to three months for the fuzes. Fuzes, this trial, which is happening now, this is summer, winter trial, everything. There's no further trial to be done for these fuzes. And there is a very good demand for fuzes, not only for India, but export market also.

So once the fuze trial is over, yes, I think order booking should be pretty quick, because there is no separate winter/summer trial for this. DRDO trial is the final trial, which is going to happen. In export market, these are acceptable trials.

But after you receive orders, in every batch, testing takes place, whether by India or abroad. But our other products, which are under trial, radars and all that, we expect orders to come for that, definitely, which are already under trial for the last six months.

Aman Vij: Of course, sir. And just to finish there are these two, three players that there...

Moderator: Aman, I do apologize to interrupt you. Your audio is not clear.

Aman Vij: Better now.

Mahendra Nahata: Aman, we can't hear you.

Aman Vij: Just a second sir. Is this better?

Mahendra Nahata: Yes.

Moderator: Yes. Please go ahead.

Aman Vij: Yes. So my question was there were two, three players apart from us who were going trial. So they how confident are you that we will be among the two, three players who will clear it? And sir, the question was also that there are a lot of tenders...

Mahendra Nahata: For the fuze of which products you're talking about.

Aman Vij: Fuze.

Mahendra Nahata: I don't know of any other player who is going for trial at this point of time. I have no idea. So I know about ourselves. We are very confident that our trial should be successful.

Moderator: We take the next question from the line of Saket Kapoor from Kapoor & Co.

Mahendra Nahata: Namaskar Kapoor Sahab.

Moderator: Saket, please unmute from your end and proceed with your questions.

Saket Kapoor: Namaskar, sir. I hope I am audible sir. I hope I am audible sir.

Mahendra Nahata: You are audible sir. You are audible.

Saket Kapoor: Namaskar Sahab. Firstly, sir, if you could just give some understanding how our turnkey business execution is progressing? And also, on the receivable front, where are we? And how is

the contribution from O&M currently? I think so, we have a closing order book closer to INR3,000-plus crores. So what's the contribution for the first half? And going ahead, how is O&M going to play its role?

Mahendra Nahata: So the O&M, major work is going to start from the next year. O&M is very little at this point of time. O&M contracts, major contribution will start coming from next financial year. And margin will be decent, about 20% or so margin should always be there in O&M. That's what we think. That was one of your question. What was the second question?

Saket Kapoor: Sir, for the turnkey business, what's the receivable and how should this shape up, sir? For this quarter, we did revenue of INR530 crores, and for the first half, I think so we are closer to...

Mahendra Nahata: Yes. Yes, I understand. Mr. Kapoor, let me complete. Receivable is more or less 180 days on overall basis, the working capital cycle. Working capital cycle, inventory execution, WIP receivable is about 180 days, is more or less is the working capital cycle in EPC business.

As far as EPC business is concerned, how it is going, we are addressing -- we are doing Punjab execution for BharatNet, for example, which is doing very well. I think this is BSNL has acknowledged to me personally that they have no complaints as far as Punjab is concerned and it is doing very, very well.

Then, other EPC projects, Reliance's EPC project, of course, whatever number we are doing at this point of time, they are doing very well. There is absolutely no problem. The UP Jal Nigam and those projects, yes, there are problems because of the non-payment by the state government authorities because they are not receiving fund from central government. So there is a payment problem at that end. As a result of which, execution also has slowed down.

But 2 days back, Honorable Chief Minister has taken a meeting in Uttar Pradesh, and he has promised fund to be released from state government, even if funds are not received from the central government, and that we expect to be picked up once the payments are released by the state government authorities. But otherwise, Punjab, Jio's, whatever we are executing are doing very well.

Moderator: Thank you. We take the next question from the line of Abhishek Kumar Leekha, who is an Individual Investor. Please go ahead.

Abhishek Kumar Leekha: Many thanks for the opportunity. Happy Diwali to you Mr. Nahata and all the members of HFCL team. Congratulations for the good set of numbers. I wanted to understand one thing that the interest cost is increasing heavily. I understand there is a lot of expansion happening. But how do we plan to address the fund position and have still enough money for like the land bank of Andhra Pradesh which has been allotted. So, we have plans for expansion of those facilities as well. So how the company has the views on that?

Mahendra Nahata: Look, interest cost has increased because of expansion, capex and bit of working capital requirement having been increased. So, with all profitability happening, profits coming in, internal revenue generation, fund requirement will also come down and the receivable will also

go down because particularly NFS, the receivables, which are still to the tune of INR400 crores is expected to be totally mitigated by the mid of next financial year.

So once that happens, working capital requirement will go down, and naturally, the interest cost will also go down. That's what we expect. But when you do the Andhra Pradesh, for example, no DPR has been prepared at this point of time. So I don't know how much investment will happen. It is yet to be decided. But if expansion happens, interest cost goes up, but resultantly revenue will also go up and profitability will also go up. So, that should not worry us at all.

Abhishek Kumar Leekha: Okay. Okay. Fine.

Mahendra Nahata: Very low debt equity ratio, 0.35 is the debt-equity ratio. So, there's nothing to worry about.

Abhishek Kumar Leekha: The only thing was like it was like INR116 crores of interest element that was going. So majorly, profitability is going down because of the interest element. I was looking forward to how we can address this better.

Mahendra Nahata: Yes, we are addressing this. First of all, the internal generation is happening and secondly, the receivable, which I told you about UP, NFS, the receivable will start coming now. Once the receivable comes, interest cost will automatically go down.

Moderator: Thank you. We take the next question from the line of Satya, who is an Individual Investor. Please go ahead.

Satya: Hello. Namaste, Mr. Nahata ji, the question is on the side of 5G products. There is so much traction on the optic fiber cable side. There is also a global demand. But what is the visibility in 5G products? What attraction are you seeing globally, in India, in exports?

Mahendra Nahata: See, as far as 5G products are concerned, you should also consider cable as part of 5G. Why? Data requirement has increased like 5G, data consumption has increased, fiber optic cable consumption has increased. So, 5G, cable cannot be separated out from 5G as such. But in any case, the specific products of 5G, like you take Fixed Wireless Access.

We make only one product, 5G's Fixed Wireless Access, which worldwide the demand is there. India has emerged as a country which has the highest usage of fixed wireless access. So demand is there, but one rider I would say that prices have to come down a little bit more because at the current price and current ARPU, operator needs more EBITDA.

And with the kind of spectrum requirement is there in 5G fixed wireless access, it doesn't give a very good economic proposition to operators. So, they are also looking at prices to come down. So I'm sure prices will come down by a few, \$20, \$30. And at that point of time, this demand will increase further.

And operators have already started looking at 6G also now. People have started looking at 6G. When 6G is going to come, how much investment will be there, when will it happen? There will be investment in 5G. Now there is going to be a lot of expansion. It is not that it is not going to happen.

There is going to be expansion on 5G. And expansion is more going to be on an incremental basis. Incremental in the sense that a large part of the country has already been covered by operators like Jio. So, it is going on an incremental basis. Incremental demand will be good for the next 2-3 years. But yes, operators are looking at reduction in the price also.

Satya:

Right. Sir, what about UBR? UBR, we were developing this point to multi-point. What is its development status and what is its visibility now?

Mahendra Nahata:

See, we have developed a small UBR point-to-multipoint. Already Seven subscribers per base station, but that is not enough. We believe that it has to be more than seven. It should be at least 20 to 30 subscribers per base station. We are already working on that concept. And the development, we believe we should be able to start in a month's timeframe so that we can link more than 20, 30 subscribers per base station. We are already at the conceptual stage. We will start the development after a month.

Moderator:

Thank you. We take the next question from the line of Lakshmi Narayanan from Ksema Wealth Private Limited. Please go ahead.

Lakshmi Narayanan:

Hi, sir. Thank you for the opportunity. Could you just throw some light on IBR optical and tactical fibers? And these have like more cables specifically made. And also, could you talk about margins also, sir?

Mahendra Nahata:

IBR, I have talked quite a lot. The IBR is 864, fiber, 1,728, 3,400, those are all there and which are being used by telcos and data center operators, both for long-haul connectivity. And telcos are also using for carrying more data.

Tactical cable is a different cable. This is used by defense forces. This have multiple layers of metal protection over it, metal protection and with flexibility. And they are put in the rolls of 100 meter, 200 meter each. And then a soldier can keep on walking and the cable is laid down from a roll, which he carries on his back. And this can be rolled back, and then, put into somebody else some other place.

So it is kind of a battlefield communication cable, which can be used at different places multiple times. And it is very strong. Even a tank goes above that, it will not break. So it's that kind of a cable. So that is required by defense forces. And we already won a contract, INR100 crores or so, so which would be supplied during this financial year itself.

We are also increasing our capacity. We have three machines at the point for tactical cable, which we are increasing to five. And we also want to backwardly integrate in terms of manufacturing those steel tubes also, which are required as a protection layer. So we want to go backward, buy the sheet and make that tube internally rather than buying the tube, which would give us a better competitiveness.

Moderator:

Thank you. We take the next question from the line of Koushik Javar from AK Investor. Please go ahead.

Koushik Javar:

Yes. Thanks for the opportunity. Sir, I wanted to understand we are doing a lot of stuff with defense. Optical fiber, you see a long runway of growth. So where do you see? it's a longer-term question. I don't have any short-term questions. Where do you see HFCL, the things which you're planning on? I mean, there is a lot of learning curve.

For the last 5 years, we have done a lot of work in Navy, defense and EPC companies. But where do you see the next 3 to 4 years for HFCL, I mean? Can you throw some light on this? That's all.

Mahendra Nahata:

I couldn't understand, Kaushik, your question. Your voice is not very clear. What is the question?

Koushik Javar:

No, I'm asking, sir, as a long-term, where do you see HFCL in 3 to 4 years? In the past last 4 to 5 years, we have been into this defense, OFC. We have have good experience on Navy and technology EPC services. But where do you see from this juncture to next 3 to 5 years as HFCL?

Mahendra Nahata:

Okay I will tell you. One, fiber optic cable is going to remain a very strong area, as we have already discussed. Defense is going to be another strong area because we are coming up with a lot of new products in defense and new alliances also, which when happens, you'll come to know.

Then, of course, EPC is going to be another area where we would be working on because a large number of EPC projects like BharatNet are already there and which we are working. So these are the three areas, major areas, if you look at, you can say. And telecom products, of course. When I say OFC, I take it as a part of product. So OFC, telecom products, defense, EPC. These are the four areas where the Company is going to be concentrating.

Koushik Javar:

Okay. And one more thing I have a question on defense. When you say there are a lot of tie-ups, which are happening in the defense space. There are a lot of attraction, right? But you are saying that since we have done the R&D, and you're saying next year, INR500 crores, and the next year is INR1,000 crores. I mean, it looks like a very ambitious number, we'll be able to do.

Mahendra Nahata:

Mr. Koushik, I said next year INR500 crores, not INR1,000 crores. I said INR500 crores. Year next to that looks like we should be able to reach INR1,000 crores. That's not very ambitious. INR500 crores is what, nothing. Even if I win one or two tenders, it can reach to INR500 crores easily. If I win something like BMP-2, it can be multiple of INR1,000 crores. So, INR500 crores, INR1,000 crores is not big. One should be able to get it with some good effort.

And when we are designing locally, please remember that local design is more competitive, more acceptable. And today's environment when country is talking of Atmanirbhar, it is much more acceptable to Army. But yes, local, when you design something, you are designing for the first time, unlike some foreign company, which is using that kind of a product since last 5 years, you are doing it the first time.

When you do for the first time, you put up for trial. It is bound to have some problems. You cannot expect some very next-generation future product design, and first instance, it tells it will work flawlessly. It doesn't happen that way anywhere in the world. So it takes some time.

But once it is proven, then the demand is there, like our coastal surveillance radar is being used by Navy for 6 months. From one, they used 6 months, now they have put two more in trial in different working conditions. And if they are successful there, then they are going to buy more for their different usage.

Moderator:

Thank you. Ladies and gentlemen, due to time constraint, we take that as the last question, and we conclude the question-and-answer session. I now hand the conference over to Mr. Mahendra Nahata for his closing comments.

Mahendra Nahata:

Gentlemen, thank you very much for attending this quarter 2 earnings call of HFCL today. And I can only tell you that with this increase in data consumption in the world, hyperscalers increase multifold happening in the world, demand of fiber optic cable mushrooming, not only in India, but much more so worldwide.

Number two, defense being another area of major growth because our honorable Prime Minister has given multiple times in his statement, they continue to be self-reliant. And our strategy of developing products locally, though it takes time, but finally, it gives very, very good results. As we have done in fiber optic cable, designed locally, and it's giving us good results.

So similarly, defense products, though designed locally, it takes time to prove it successfully because they are high technology. But when it gives results, it gives in multiples, which we have done with cables, which we are expecting to do with defense also. Same point of time, telecom products, demand is picking up. 5G, 6G, this capex will always keep on happening in telecom products.

EPC contracts, major contracts are coming anyway, BharatNet and all that. Once 6G comes in 3 to 4 years' timeframe, those demand is going to increase. So overall, I can see a very, very good future. And I still maintain that revenue growth of about 20%, which we said it could happen. It is definitely going to happen.

Profit margins, what you have seen in this current quarter, 19% or so EBITDA, I'm sure we will be able to maintain that in the next 2 quarters of the current year also. And revenue growth is quite expected with the increase in cable capacity, fiber capacity and better demand -- not only demand, but supply of telecom products.

I see the commitments given by us to the shareholders in terms of revenue and profitability, company should be able to do very, very well in the next two quarters. Thank you very much. And for any follow-up questions, investors can reach to Mr. Amit Agarwal, our Head of Investor Relations. He would be glad to answer any further questions you have. Thank you, gentlemen.

Moderator:

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