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HFCL/SEC/25-26

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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 1st Quarter ended June 30, 2025, of the Financial Year 2025-26.

Dear Sir(s)/ Madam,

This is further to our earlier announcement dated July 25, 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 July 25, 2025, on the Un-audited Financial Results of the Company for the 1st Quarter ended June 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 July 25, 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 Q1 & FY ‘26 Earnings Conference Call”

July 25, 2025

HFCL

 **ICICI Securities**



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

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



Moderator: Ladies and gentlemen, good day, and welcome to the HFCL Q1 and FY '26 Earnings Conference Call.

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.

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 risks that HFCL's business faces that could cause and 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 statements or decisions.

Should you need assistance during this conference call, please signal an operator by pressing “*”, then “0” on your touch-tone phone. Please note that this conference is being recorded.

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

Mohit Lohia: Yes. Thank you, Shruti, and good evening, everyone. Thank you for joining us today for the Q1 FY '26 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 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 will 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 extend a warm welcome to all of you on HFCL's earnings call for the first quarter of FY26. 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.

As we step in FY26, India continues its strong momentum as a hub for digital innovation and self-reliance. The Government's push towards Artificial Intelligence, 6G readiness, and indigenous technology development is rapidly reshaping the country's telecom and defence ecosystem. The Department of Telecommunications, in collaboration with academia and industry, is laying the groundwork for AI-native 6G networks, which are poised to define the future of ultra-high-speed, intelligent connectivity. HFCL is actively contributing to this national mission by developing next-generation technologies for 6G in collaboration with premier academic institutions. These initiatives not only position India as a future-ready digital powerhouse but also reaffirm HFCL's commitment to being at the forefront of technological advancement.

India's 5G rollout has made phenomenal progress. In just 22 months since launch, 5G services now cover over 82% of the population, with more than 4,70,000 5G sites installed. While rural 5G coverage is still in progress, India has already achieved near-universal 4G penetration across its villages. This swift infrastructure expansion is a testament to the sector's agility and commitment to digital inclusion.

Q1 FY26 marked a strong and encouraging start to the year, with healthy momentum across our key verticals—Telecom, Optical Fibre Cables, Passive Connectivity Solutions, and Defence. The emergence of hyperscale datacentres and progress in implementation of BharatNet has opened up very encouraging new business opportunities for HFCL both for optical fibre cable and passive connectivity solutions and telecom products. Modernisation of defence forces will also lead to increase in demand for defence products.

After nearly six to seven quarters of subdued demand in our Optical Fibre Cable business, we are now witnessing a strong resurgence in global demand. This renewed momentum, beginning in Q1 FY26, has enabled our manufacturing facilities to operate at optimal levels. The increase in business activity has translated into consistent and efficient plant operations, marking a notable improvement from the muted performance observed up to Q4 FY25. The revival in demand has led to a notable increase in revenue contribution from this segment, further strengthening our growth trajectory in the connectivity domain. Our Optical Fibre Cable business continues to remain a key growth engine for HFCL. During Q1 FY26, we secured export orders worth approximately ₹300 crores and achieved export revenues of around ₹210 crores .

This quarter also marked the onboarding of several reputed global customers, along with repeat orders reflecting strong customer satisfaction and trust in our offerings. We obtained product approvals from many leading customers, further strengthening our global footprint. Additionally, our high-value fibre products are gaining significant traction, particularly in European and Asian markets, which are known for their stringent performance standards and competitive benchmarks.

The global demand for high-capacity fibre infrastructure is entering a transformative phase, fuelled by the rapid growth of hyperscale data centres, and next-generation digital infrastructure. These applications require scalable, high fibre count optical networks. With the unprecedented increase in hyperscale datacentres, we anticipate a sharp surge in the requirement for high-count fibre cable, particularly Intermittently Bonded Ribbon (IBR) cables, over the next few years. I am pleased to share that HFCL already has strong order book for high capacity IBR cables, with a very strong pipeline of additional opportunities under discussion.

With the sharp increase in demand for high-count fibre, particularly IBR cables, we are significantly expanding our manufacturing capacity to ensure that we are well-positioned to capture a significant share of this high-growth market. To further strengthen our leadership position in advanced OFC technologies, the Board of Directors, in its meeting held on 11th July, 2025, approved the expansion of IBR cable capacity from ~1.73 million fiber kilometers per annum to ~19.01 mn fkm /per annum at our Hyderabad and Goa facilities. This will enable us to

meet rising global demand, particularly from North America and Europe, where we already have orders from major customers. With this planned expansion, our total optical fibre cable manufacturing capacity will increase from ~25.08 million fibre kilometers to ~42.36 million fibre kilometres per annum, significantly enhancing our ability to serve both domestic and international markets. This enhancement in capacity will make HFCL one of the leading supplier of optical fibre cable internationally.

This enhancement in manufacturing capacity of IBR cables aligns with our strategy to diversify our cable portfolio and reinforce HFCL's position in high-value, high-volume international market segments. With the strong traction we are experiencing particularly from international customers, we are confident that our Optical Fibre Cable business is poised to more than double its revenue in FY26 compared to FY25. This growth reflects not only a recovery in demand, but also a structural shift in the global optical fibre landscape where HFCL is positioned well to lead.

Our Passive Connectivity Solutions (PCS) are playing a pivotal role in resolving last-mile challenges faced by telecom operators. By offering integrated, ready-to-deploy solutions for urban, rural and enterprise networks, we are not only improving network efficiency and uptime but also deepening our value across the entire connectivity ecosystem.

On the Passive Connectivity Solutions front, we secured several orders across both domestic and international markets. As part of our long term strategy, we are committed to have significant revenue from this segment of our product portfolio.

HFCL is sharply focused on tapping into the massive opportunities emerging from the explosive growth of hyperscale data centres. Apart from high count fiber cable, we are also developing passive connectivity solutions specifically for data centers. We expect to have significant increase in revenue from passive connectivity solutions business with data centers also.

We also expanded our **Cable Reinforcement Solutions** globally with export orders for UV FRP Rods to the US, Belgium, UK, and Saudi Arabia, along with a repeat order for Thermal FRP Rods from an international cable manufacturer. These components are critical in ensuring the structural integrity and durability of modern fiber optic networks, especially in challenging environmental conditions.

In the telecom equipment space, we achieved a major milestone by successfully developing indigenous MPLS Routers designed to support backhaul, fiber broadband, and enterprise networks. We are proud to be the only Indian manufacturer, aside from Tejas, to develop such routers. These next-generation routers are engineered to deliver carrier-grade performance even under harsh environmental conditions, making them well-suited for both civil including rural and Defence applications.

We have already commenced commercial deployment of routers in a domestic telecom network under real-world traffic conditions, successfully validating their capabilities. HFCL has secured orders worth ₹650 crore for routers under the BharatNet Phase III program and expects to receive

significant additional orders as more states roll out their implementation under BharatNet program.

While the domestic market itself presents strong growth opportunities, we also see immense export potential for our routers—given the global demand for secure, scalable, and self-reliant connectivity infrastructure. This reinforces HFCL’s positioning as a technology-driven company with a robust, future-ready product portfolio. Our strategy to move up the value chain by offering smarter, technology-led telecom products is showing strong results. We continue to expand our offerings across 5G, and enterprise connectivity. Recently, we secured a repeat order worth ~₹175 crore for our indigenous 5G networking equipment, underscoring our ‘Make in India’ capabilities.

In the defence vertical, HFCL made transformative progress during the quarter. We secured a landmark contract for thermal weapon sights for AK-203 rifles. This achievement highlights our R&D maturity, manufacturing capabilities, and adherence to stringent defence quality standards. Additionally, we are declared as L1 bidder in a ₹90 crore tender for tactical cables, which are deployed by the Army in battlefield conditions. These cables are a vital part of HFCL’s high-performance connectivity portfolio, designed to ensure secure, resilient, and mission-critical communication in demanding operational environments.

We also signed three Memoranda of Understanding with UAV manufacturers to co-develop next-generation unmanned aerial platforms and weaponized drones aimed at modern warfare, surveillance, and logistics applications. In parallel, we are developing a state-of-the-art drone detection radar with soft kill option, which is expected to enter the production phase within the current financial year. Lab trials of this product is currently underway, with field trials expected to start shortly. The product has already generated strong market interest, given the rising need for autonomous aerial threat management systems.

Further, our electronic fuzes for artillery guns are also scheduled to undergo live testing in August by DRDO, following the recent receipt of ammunition from Munitions India Limited. This marks a key milestone in our defence roadmap, with production expected to begin soon after successful trials.

We have signed two Technology Licensing Agreements with DRDO for Compact Transhorizon Communication Systems and Multi-Mode Hand Grenades—strengthening our role in providing high-performance battlefield solutions. We are also in advanced stages of securing technology transfers from DRDO for Mechatronic Fuzes, Weaponised Handheld Thermal Imagers (WHHTI), and Compact Airborne Multi Sensor Optronic Payload (CAMOP) for UAVs. We have also applied for ToTs for UAV-Launched Precision Guided Missiles (ULPGM) and Very Short Range Air Defence Missiles (VSHORADS). These developments reflect our deepening collaboration with DRDO and reaffirm our commitment to delivering scalable, indigenous, next-gen defence technologies.

The recent geopolitical conflicts and rising global security concerns have accelerated defence modernisation efforts across the world. In India too, the Government's renewed focus on indigenisation and advanced warfare capabilities has created opportunities for companies like HFCL. With our deep R&D capabilities, cutting-edge technology solutions, and commitment to Atmanirbhar Bharat, we are strongly positioned to contribute meaningfully to India's defence modernisation journey and tap into the growing demand for defence products.

To further strengthen our brand and capabilities globally, **HFCL showcased its defence portfolio at the 55th Paris Air Show the foremost aero exhibition in the world held last month.** Our exhibits included Artillery Fuzes, Surveillance Radars, Thermal weapon sights, High Capacity Radio Relay systems, Tactical Communication and EWIS assemblies. The event witnessed significant engagement from global defence OEMs, delegations, and technology partners. These interactions have opened up several avenues for international collaboration and export opportunities in coming quarters.

Driven by these wins, our **order book as of June 30, 2025, stands at ₹10480 crore**, compared to ₹9967 crore in the previous quarter and **₹6776 crore in Q1FY25**

Let me now highlight our financial performance for Q1FY26.

- **Revenue** stood at ₹871.02 crore, compared to ₹800.72 crore in Q4 FY25 and ₹1158.24 crore in Q1 FY25.
- **EBITDA** stood at ₹42.93 crore, compared to ₹-22.33 crore in Q4 FY25 and ₹185.37 crore in Q1 FY25.
- **EBITDA margin** was 4.93% in Q1 FY26, versus -2.79% in Q4 FY25 and 16.00 % in Q1 FY25.
- **Profit After Tax (PAT)** came in at ₹-29.30 crore, compared to ₹-83.30 crore in Q4 FY25 and ₹110.65 crore in Q1 FY25.
- **PAT margin** stood at -3.36% in Q1 FY26, compared to -10.40% in Q4 FY25 and 9.55% in Q1 FY25.
- **Telecom product segment revenue** contributed 66.35% of total revenue, compared to 76.33% in Q4 FY25 and 61.42% in Q1 FY25.

Q1 FY26 has laid a solid foundation for what we believe will be a breakout year for HFCL. With robust order inflows, expanding global demand for our OFC and IBR cables, and strategic wins in defence, we are witnessing the early outcomes of our strategic shift toward high-tech, value-added solutions. Our continued investments in capacity expansion, product innovation, and global partnerships are positioning us at the forefront of next-gen connectivity and defence technology.

Looking ahead, we see clear tailwinds with accelerated execution of BharatNet, 5G densification, rising global optical fibre demand, and expanding opportunities in indigenous defence manufacturing all of which provide strong visibility and momentum. We have entered the second quarter of FY26 with renewed confidence, a healthy order book, and improving profitability.

HFCL's fundamentals are stronger than ever, and we remain fully committed to creating long-term value for all our stakeholders.

Thank you once again for your continued support.

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

Balasubramanian A.: Good evening, sir. Thank you so much for the opportunity. Sir my first question regarding data center. I think data center networking, total addressable market, it's more than \$1 trillion over the next four to five years' time. I just want to understand like how we differentiate ourselves in terms of data center networking compared to our competitors? Because one of our competitors already making more than 20% of revenue from data center side only, so if you could share more light on that industry side and our company capability side.

Mahendra Nahata: Thank you, Mr. Balasubramanian. World market for data centers is very, very large. Right now with the kind of hyperscalers are coming up all over the world, particularly in North America and Europe, unprecedented growth, which we could not have imagined probably six months ago. Now these data centers need different kind of products, servers and those kind of large capacity switches, which we do not manufacture. But we supply to them with high-capacity fiber optic cables and also the passive connectivity solution product portfolio, which we are building now revenue from them would start in may be another quarter from now.

So, our expectation with this growth for passive connectivity solution as well as fiber optic cable, high capacity, high fiber count is, again, long term because this growth for data center is going to continue for at least five years. So we already have secured contracts from major players and for purpose of commercial confidentiality, I cannot name them. And we are also in process of now getting our products certified for passive connectivity solutions for data centers from these customers, customers remain the same. And we expect that these PCS solution, passive connectivity solution, is also going to give us a reasonably good amount of revenue for data centers in the next financial year.

But of course, passive connectivity solution for telecom operators has already started giving us revenue. And our target for revenue from passive connectivity solutions for telcos, telecom service providers and other operators is about Rs. 450 crores in the current year. Data center would be on the top of that, whatever we do this year, but our real expectation for data center from the next year for the PCS solutions we are getting from various operators.

Balasubramanian A.: Got it, sir. Also I think we showcased drone radars and electronic fuzes at the Paris Air Show, so what is the commercialization road map, and are there any pending certifications or approvals? And secondly, we got around Rs. 90 crores defense order, especially for thermal sights and tactical cables. So like what's the realistic revenue contribution time line? Is there any technology transfer risk with partners like DRDO?

Mahendra Nahata:

Look, revenue, as I said earlier also in my last call, revenue from defense will start in this current quarter. Thermal weapon sights, tactical cables, where we have already started supplying in fact, in Eastern Command. There was another tender which we had won and we have started supplying. This Rs. 90 crores tender which we had declared L1 order is yet to be received, should be received soon, that as soon as the order is received we will start supplying. Thermal weapon sites we will start possibly supplying within this quarter. So, there are a number of products which we will start supplying this quarter.

But yes, number of products are going to be getting approval possible in this quarter itself, which includes electronic fuzes, for which we have been waiting for a long time, because ammunition required for testing was not available, which are manufactured only by the government factory Munition India Limited. We paid for more than six months back, and now this ammunition has arrived for testing and testing will be conducted by DRDO in August. If the testing is successful, for which we are very hopeful because there were minor defects last time, we expect a large number of orders.

Even before approval we are receiving large inquiries for export for this product. So we have a very high expectation from electronic fuzes, of course. The drone detection radar is now included with a soft kill option, detection and soft kill option. It is almost at the end of the lab trial, and we expect that field trial would start sometime later part of the August. Once the field trials are successful, we would offer it for production, which I expect should happen in this current financial year.

Now as you have seen how drones are being used in the war this time, whether it was Operation Sindoor or whether Iran-Israel or with Israel- Hamas or Ukraine- Russia, drones are the main weapon of warfare nowadays. So equally, what you need is anti-drone systems. So the drone detection radar and also the soft kill option together with that. And as a system, when we sell it, again, we expect good demand opportunity for this, not only in India but internationally also.

Balasubramanian A.:

Got it, sir. Sir, my last question, what is the current scenario of optical fiber and applicable fiber cable prices? And what's the status of inventory liquidation at global level operators?

Mahendra Nahata:

What was the last point?

Balasubramanian A.:

Inventory liquidation status at global level operators.

Mahendra Nahata:

Okay. Now the fiber prices, the fiber prices are ranging between Rs. 240 to Rs. 250 per kilometer, depending upon which fiber and whatever you are talking. The general D fiber, what we call D fiber, which is generally in use, Rs. 240 to Rs. 250 per kilometer. The fiber cable realization prices, again, depends is between Rs. 850 to Rs. 900 per kilometer. The cable between Rs. 850 to Rs. 900 per fiber kilometer and fiber just the bare fiber, Rs. 240 to Rs. 250 per kilometer. That is the price.

Number two, the inventory levels have now significantly almost finished. That is why you see this increased demand of fiber optic cable from Telcos also. Data center operators did not have

any inventory. So they are all doing fresh purchases. But telcos inventory is also almost finished now. So there is a renewed demand has come up from telcos. As a matter of fact, we continuously receive more and more orders from our customers, which are the telcos or supplies to telcos. So inventory levels are now gone.

Balasubramanian A.: Got it. Thank you.

Moderator: Thank you. The next question is from the line Siddhant Singh from Green Portfolio Private Limited. Please go ahead.

Siddhant Singh: Sir, first, can you bifurcate the defense order book and export order book out of total order book? Like how much is for defense and how much is for export?

Mahendra Nahata: Look, our export order book, just give me a moment, our export order book today is above Rs. 400 crores. It's roughly about Rs. 400 crores. And from defense segment, would be roughly about 12% of our total order book, which is Rs. 10,000 crores, the defense is about Rs. 1,300 crores, about give or take a couple of crores.

Siddhant Singh: Okay. And for defense, like which product is the highest contributing in order book, like for which product we are getting highest order?

Mahendra Nahata: Look, defense tactical cable is the highest portion, tactical cable followed by thermal weapon sight. And operation and maintenance contracts are also there for the NFS work which we had done for the defense. And now we expect, of course, going forward, as more and more products come in in our product portfolio, we really believe that these will really pick up for radars and fuzes and all those kind of things in the next 3 months' time.

Siddhant Singh: Okay. And sir, like if we receive a very big order for any defense product, are we capable enough for delivery? Like we have manufacturing capabilities to deliver a huge number of orders right now or we have to like develop a manufacturing facility?

Mahendra Nahata: We have put up a facility in Hosur for manufacturing defense products. And I think we are capable of delivering, but we foresee the possibility of orders which we can get. But again, very huge orders come all of a sudden, which I would be happy to receive. We can always increase our production facility. But anyway, for the foreseeable requirement, whatever we can get, we have production capacity in Hosur. But certain things which we want to manufacture for which we have applied for licenses. And also we have got TOT for multimode hand grenade, for example, that production will have to be done at a different production facility because those involve explosives. And for that, you require a large chunk of land and magazines and all that installed. So for that separate manufacturing facility would be required. But let us first receive the clearances for that, and then we would look at that. But yes, we are working on them, and we expect a good opportunity for ammunitions also for which we will be definitely establishing a separate production facility.

- Siddhant Singh:** And like for ammunition fuzes like we will start the receiving like we will start getting revenue in FY '27 only?
- Mahendra Nahata:** For?
- Siddhant Singh:** For ammunition fuzes, when we will be able to start recognizing revenue?
- Mahendra Nahata:** See, look, again, let us assume that trials will be successful, which I hope August trial will be successful. If the trials of August are successful, then we can start getting revenue from the last quarter of the current financial year also for fuzes because after trials are successful, 2 or 3 months in starting production, should not take two or three months also. But definitely, if the trials are successful from the last quarter of this financial year, we should start getting revenue from fuzes. The orders are not going to be a problem, I can tell you.
- Siddhant Singh:** Okay, sir. And one last question is that, sir, like you right now announced that, we are going to raise Rs. 700 crores. Can you like give the breakdown like how much we are going to use as a CAPEX and where we will be going to use that? And second is that like our promoter holding is decreasing every quarter. So what is your take on that? Like whether you will be going to participate into fundraise or we are going to dilute our stake?
- Mahendra Nahata:** Siddhant, first of all, Rs. 700 crores was just an enabling resolution we have passed. We have still not decided when to raise, how much to raise, whether to raise. All these things are still under discussion. It's just an enabling resolution. Now whenever we decide, the use would be, of course, to tap into by increasing defense opportunities, telecommunication opportunities, optical fiber cable opportunities etc.
- Moderator:** Thank you. The next question is from the line of Darshil from Finterest Capital. Please go ahead.
- Darshil Pandya:** Yes, sir. Sir, just wanted to understand, since you are saying that the demand is back again for the fiber optical cables, when are these margins expected to be in the similar lines what we have seen in the last year, which were around 14%, 15%? Just wanted your views on this.
- Mahendra Nahata:** From this quarter itself. In fact, from July which was the last month of the Q1, we started into that kind of a margin. And from this margins would continue to be of that level of roughly about 15% or so. Currently, whatever orders we are executing, most of them are in that range of margin.
- Darshil Pandya:** Okay. And this margin reduction was purely due to the demand issue? Or was it something else also?
- Mahendra Nahata:** So really, the decrease in margin was because of low demand. Once you have low demand and the capacity utilization is lower with the manufacturers, they tend to start selling at a lower price, which is normal. It is a demand-supply equation. Now the demand has gone up considerably. As a result of that, of course, prices have also gone up and buyers are also facing a capacity constraint in sense for high-quality cables or high-technology cables. I am not seeing the demand

has increased for run of the mill cables, which so many people manufacture. But the cables which are really high-technology cables, IBR kind, intermittently bonded cables. As an example, of 884 fiber or 728 fiber. It's not so many people are able to manufacture because they are highly critical in technology and quality. So there, the prices have gone up because the manufacturers are not so many. And at the same point of time, margins would also be better. So technologically, these are different level of products.

Darshil Pandya:

Got it. So sir, given the kind of the capacity expansion also we are doing. So looking at this demand, which has obviously right now that has come up again. What is your view on these capacities that we are expanding and when these capacities will be live, will this be in this year or the next subsequent years?

Mahendra Nahata:

Look, this capacity expansion is already in progress. There are a number of machines. For example, we are buying 10 machines. As an example, I am telling you. So what happens, they will come one by one being delivered. These are all coming from mostly from Austria Europe, not Australia. So they are coming one after another, one after another. So expansion is already in process, but it will be completed before the end of June 26. But it's not that the capacity expansion will start one particular day. It is already in process, because factory building is already there. Space is already there. As the machines come, we are sitting them. One machine is expected to arrive very shortly. I think maybe another two, three days or five days. So these are continuous expansion, but full would be completed by June 26. So revenue would start accruing from this expansion in the current financial year itself.

Darshil Pandya:

Okay. And final question would be on the numbers front, sir. I have been hearing that we are doing a lot of things in defense with this new capacities also. And last quarter, we have given somewhere 25%, 30% guidance. Sir, where are we standing today? And what kind of numbers will we see this year?

Mahendra Nahata:

I would still stand with the number which I gave that this year, our revenue is expected to be 25% to 30% higher, about 25% higher than the last financial year. And as far as defense products are concerned. Yes, some of the products got delayed like fuzes for none of our fault. This was ammunition not being supplied by a government company, which are the only producer of ammunition of that kind today. So this got delayed. Otherwise, revenue would have started accruing much sooner. In fact, we have received LOIs for our radars also, ground surveillance radars, but they are not culminating in orders, which I expect to happen pretty soon. This is for export.

Similarly for multi-mode hand grenade, which we have got a technology from DRDO, and we are in process of producing first 100 or so samples for qualification by DRDO and those are already under production. So once they are qualified, we expect to receive a large number of export orders for multimode hand grenade also. So though look, defense is a bit of a peculiar sector, things take time. But if you get in, then you get continuous orders. Similarly, as I have been telling, we have been shortlisted for upgradation of BMP-2, which is the armored personnel

carrier, but – [Inaudible 0:39:04.4], sorry the line got disconnected, I do not know when it got disconnected. I also do not even know. Till what time you heard?

Darshil Pandya:

Sir, till the LOIs that you had received from the --

Mahendra Nahata:

Yes. So we expect to receive orders also very soon. So what I was telling is defense takes time. But once it starts happening, it happens continuously. Like BMP-2 orders tender has been postponed twice. Now it is on 29th September. If that had not happened again and if we had won, we would have started seeing revenue in this year itself. So it's quite likely that once the order starts coming, then it's a continuous process.

Darshil Pandya:

Correct. Got it, sir. And of the Rs. 700 crores fundraise that we have enabled, will there be something for reducing the borrowings, sir? Because right now, interest --

Mahendra Nahata:

It's just an enabling resolution. And the details are being worked out. We will definitely let you know when we go to the final decision.

Darshil Pandya:

Okay, no problem, sir.

Mahendra Nahata:

Enabling resolution up to Rs. 700 crores, not for Rs. 700 crores.

Darshil Pandya:

No problem. We will wait for your announcement, sir. Thank you so much. All the best for your subsequent quarters.

Moderator:

Thank you. The next question is from the line of Aagam Shah from RSPN Ventures. Please go ahead.

Aagam Shah:

Thank you for allowing me to ask questions. I just had two questions. Sorry, I joined the call a bit late, I might have missed it. So what is the capacity utilization of optic fiber?

Mahendra Nahata:

In our optical fiber, we are working at 100% capacity for optical fiber. Optical fiber cable, the capacity utilization has started improving in the first quarter. Particularly May, June it really started improving. July it has further improved and now reaching to almost 100%.

Aagam Shah:

Okay. Understood. Sir, last question. Just wanted a status update on Delhi NCR factory and the revenue potential from that factory? The CAPEX?

Mahendra Nahata:

Say that again, I could not hear you.

Aagam Shah:

Just wanted to know the progress on the Delhi NCR factory for Telco and the revenue potential from that?

Mahendra Nahata:

Okay. We have already started producing. 5G FWA CPE, we produced system integrated in there only, which was order already, we have supplied roughly about Rs. 600 crores. Another Rs. 200 crores supply would start in another may be three to four weeks. Router production has

picked up from there and supply has started in small lots already. The bulk production would start sometime in August. We will be starting bulk products or routers from that factory. The work is already on. Production is already on.

Aagam Shah: Okay. Thank you. That's it from my side.

Moderator: Thank you. The next question is from the line of Lakshmi Narayanan from KSEMA Wealth Private Limited. Please go ahead.

Lakshmi Narayanan: Hi, sir. Sir, I just want to understand what is the contribution of optical fiber cable in our total revenue mix? And how much is it part of your order book?

Mahendra Nahata: Yes. As far as order book is concerned, of the fiber optic cable, you have to understand, they keep on coming. It never comes into a big number by once itself. It keeps on coming. You supply for Rs. 50 crores, you get another order of Rs. 50 crores on the same customer. So it comes like that. But in the total products, which we have total products, about 65% of the product revenue is from optical fiber cable.

Lakshmi Narayanan: Understood, sir. Sir, my next question is you are talking about like passive solutions for telecom and defense. Could you just expand on that, sir, because I am not able to get that is it like optical fiber or something else, sir?

Mahendra Nahata: What is patch-on solution, I could not understand.

Lakshmi Narayanan: Yes. Passive solutions for telecom, you are saying you guys are developing.

Mahendra Nahata: Yes. Passive connectivity solution, when you lay optical fiber cable, whether it's a data center or in a telco network, you need various materials to lay down fibers. You need jointing boxes etc.

So this passive connectivity solution is the material which does not need electricity, but are necessary for putting optical network in place like jointing boxes, the manholes, optical splitters and those kind of things.

Lakshmi Narayanan: Okay, sir. Understood. Sir, if I could squeeze one more question, sir. BharatNet, in Phase 3, how much revenue are you expecting for this financial year, sir?

Mahendra Nahata: BharatNet, particularly revenue, I would say, of the total order we have got roughly about Rs. 5,000 crores out of which 20% of that, roughly in the range of about Rs. 800 – Rs.1,000 crores.

Lakshmi Narayanan: Rs. 1,000 crores. Understood, sir.

Mahendra Nahata: It may be Rs. 800 crores, it may be Rs. 900 crores, something around that.

- Lakshmi Narayanan:** Okay, sir. Sir, you are talking about the night vision thing about Rs. 45 crores, which you said like supply will start in Q2 in previous con call, sir. Is it going to happen for this quarter, sir or it has started?
- Mahendra Nahata:** Yes, we are trying our best that it should happen in this quarter itself. We are trying our best.
- Lakshmi Narayanan:** But you got approvals are done, sir?
- Mahendra Nahata:** They are all approval done. All approvals done and then all the order received, all approvals done.
- Lakshmi Narayanan:** Okay, sir. That's it from my side. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Deepesh Sancheti from Maanya Finance. Please go ahead.
- Deepesh Sancheti:** Yes, sir. Sir, just one question. What is the succession planning sir?
- Mahendra Nahata:** Succession planning. Sir, I am still young enough.
- Deepesh Sancheti:** Yes, sir, and we hope that for the next many years we see you. But just as shareholders, I just want to know about if there is any succession planning.
- Mahendra Nahata:** In succession planning, we want to completely professionalize the company that it would be run by professional CEOs and professional business heads. Already, company is run by business heads for different business verticals. But in future, we expect shareholders to just play the shareholders' role and company run by professional CEOs. That is the way we are planning now.
- Deepesh Sancheti:** Sir, none of the next generation of Nahata family are planning to join the business?
- Mahendra Nahata:** No, they are planning to join the business. But from the perspective of a shareholder, not as a day-to-day running of the company, that should be completely professionalized. Now we are on the mobile. So hopefully, maybe this time, it will not get disconnected. Now I am not on fixed line, but I am on mobile. Yes. Next question, please.
- Deepesh Sancheti:** Yes, sir. Again, on the succession planning. I just wanted to understand if the next generation is actively part of the business or they just be part of the Board?
- Mahendra Nahata:** Sir, they will actively participate, of course they will actively participate. But one is day-to-day operation, what is the production, what is the production value, what is the quantity, who has been delivered, which raw material has been purchased, those should now be left to the professional CEOs. The next generation should focus more on strategy, more on the policies, more on the outside environment management, building relationship with customers, those kind of things, not to handle the day-to-day operating issues. That's the way it is going to be.

- Deepesh Sancheti:** Right.
- Mahendra Nahata:** That professional CEOs to do that.
- Deepesh Sancheti:** Absolutely. Absolutely. And we hope to see you, sir, for a very, very long time.
- Mahendra Nahata:** Hopefully.
- Deepesh Sancheti:** Yes, sir. And if I can add just one question. When does this revenue degrowth actually end? And when will we get the true realization of the huge order book which we are having?
- Mahendra Nahata:** Revenue realization for the order book is continuing. Of course, I think Q2 would be better than Q1, of course, Q2 would be better. EPC revenue would go up and revenue from fiber optic cable business will also go up with some more capacity utilization happening now. So revenue realization is already there, but it is going to increase in this quarter and the quarter next even further.
- Deepesh Sancheti:** No, just wanted to understand when did the revenue degrowth actually end the year-on-year revenue degrowth.
- Mahendra Nahata:** Because the major reason was the fiber optic cable revenue going down for last 2 years. Fiber optic cable revenue, what we expected to happen, it was 40% of that. Otherwise, the revenue would have increased. And that was not unique in our case. That happened all over the world, whether you take Corning, whether you take Prysmian and OFS, whoever you take, everybody's revenue has gone down last year.
- Deepesh Sancheti:** Thank you so much, sir, for the clarity. And all the very best to you.
- Mahendra Nahata:** Thank you.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.
- Saket Kapoor:** Sir, firstly, when we look at our consolidated revenue for the telecom product, although the revenue rises, there is a revenue increase by Rs. 92 crores, the contribution to the profitability is 30%, that is Rs. 29 crores. So what goes into this telecom products specifically when we consolidate our numbers?
- Mahendra Nahata:** Telecom products, one is, of course, the fixed wireless access terminal, which we have produced; the unlicensed band radios, which we have produced. So these are some of the typical telecom products which produce and where we have a lower profit margin. And the profit margin, fiber optic cable, which is also part of the product revenue only, has been higher, much higher, as I said about 15% or so. But then the telecom electronic products, the margin has been lower. So this is how it is.

Saket Kapoor:

Okay. Sir, we have also seen the promoter stake also coming down over the last 2 financial years. That is through the open market selling, especially through your entity. So what should investors read into this gradual reduction in your stake in the company. And again, we are coming with a QIP proposal. So that would again further dilute our holding going ahead. So what message that you are giving to the investing community by these frequent selling

Mahendra Nahata:

Saket, first of all, fundraising proposal is still just enabling. We are not deciding that whether we are going ahead with QIP or not. That is number one. And if you look at promoter stake, if you look at in the last few years, just do not look at one or two years. Promoter stake has gone down by 1 crore 92 lakh shares against some 47 crores of shares or shares promoters hold, which is not a very big number. And promoter also needs sometimes money for personal use including the social use, also charitable purposes and all that. So still promoter has substantial holding.

Substantial holding is still there, more than 31% holding is there. And promoter always has the option to increase the holding. Earlier, we had purchased shares from open market, which were, of course, informed the stock exchange. Whenever we did that, we subscribe it to warrants also. If we need to be, we can do that in future also. I am not saying that we would do that or not. But if need be, we can do that also. So there is not a very substantial reduction. 1 crore 92 lakh shares on an overall basis, if I look at the data for last six or seven years, it's not such a big number. But promoters sometimes needs money for personal purposes also.

Saket Kapoor:

But sir, the market cap has gone down. The investor interest is lower. And these all create depressions also for the market because it took turn from you when you up your stake at that time three years ago. And today, your stake from 35% to 31% in a span of just two quarters do speaks volume, sir. This is my understanding, sir --

Mahendra Nahata:

No no, market has gone down, not because of that promoter has sold shares, the share price has gone down earlier only and that has not got any relation to the market cap. I think so many companies, promoters in the country have sold their stakes. Some stakes have been sold because the promoter needs money for some personal reasons, what does he do? Where does he bring money from? I am not going to take mishandle money from the company or anything. So only and my salary is not enough to take care of some of the needs which may be there. So what do you do? You sell only your stake to get money, where else you will get money from.

Saket Kapoor:

Sir, when you say that this is a breakout year for the organization in your press release, you have alluded to the fact, written it that HFCL, this will be the breakout year. What according to you is breakout year for an organization in terms of profitability or revenue, where are we eyeing that we are using this?

Mahendra Nahata:

Listen to me, three, four things. One, quarter-on-quarter revenue will keep on increasing, number one. Number two, defense will start really showing revenue coming up, which we have been trying since last two, three years. But this year, now the defense has started showing revenue. Factory has been commissioned for defense products.

More number of defense products we are adding in our portfolio, including technology transfers from DRDO and may be in future, there may be some technology transfers from some foreign partners also, may be. So all this would really mean that you have new streams of revenue would start happening. And then revenue from data centers, which was never there, has started happening in optical fiber cable. And we will build up revenue from data center for connectivity solutions also. So new revenues in defense services, new revenues in data centers, fiber optic cables, all this would make it a breakout year.

Saket Kapoor: Okay. And lastly, sir, as you mentioned that revenue will grow. So in the turnkey contract, can we expect now the losses to mitigate in the last two quarters, our PBT losses have moved up to Rs. 100 crores?

Mahendra Nahata: Yes, yes, yes. It will happen because with the increase in revenue, particularly in increasing the use of BharatNet, this is definitely going to happen.

Saket Kapoor: Okay. And as a year as a whole, what should we look, sir, for the turnkey business performance be?

Moderator: Sorry to interrupt Mr. Saket

Saket Kapoor: I am concluding, please allow me to conclude ma'am.

Mahendra Nahata: Go ahead, Mr. Saket.

Saket Kapoor: Sir what I was trying to understand is, for the year as a whole, turnkey business, that is the EPC part, how will that will be shaping up and whether the bottom line will be positive or negative?

Mahendra Nahata: What I am saying Mr. Saket, overall, we can look for about 25% growth in the revenue. Overall, that is what our best estimate is that there should be 25% growth in the revenue of the company in the current financial year. Now how much it will grow in EPC, how much it will grow in defense or products? Very difficult to say. But at least EPC will grow. And also, I can tell you, fiber optic cable business, it will grow by 100%. That is our current estimation. Last year, it was Rs. 1,200 crores. This year, we should be reaching to Rs. 2,400 crores. This is the expected revenue of fiber optic cable. And in my opinion, more than 50% of that is going to be exports.

Saket Kapoor: Okay, sir. I had just one more part on the rights issue for Exicom, sir. So we will be participating in that ?

Mahendra Nahata: Exicom question, I cannot answer.

Saket Kapoor: No, HFCL is a shareholder sir. HFCL, we hold 6%. So we will be participating to the extent of our proportion to the issue?

Mahendra Nahata: No, no, we have already said that we are not participating.

- Saket Kapoor:** Thank you, sir. All the best to the team, sir, going ahead. Thank you once again.
- Moderator:** Thank you. The next question is from the line of Nikhil Purohit from Fident Asset Management. Please go ahead.
- Nikhil Purohit:** Thanks for the opportunity. Sir, my first question is, what is our Hosur defense facility utilization right now? And what do we target by the end of this year?
- Mahendra Nahata:** Defense has just started, Nikhil, it just started. So I wouldn't say there is any percentage to that. So Q2, we would be producing this thermal weapon sights there. Multimode hand grenade if we get order, we will not be producing there because right now, we do not have a license for explosives. Once we get explosive license, we like to produce at a different facility, not at this place. So it is just starting. So I won't put a number at this point of time to that.
- Nikhil Purohit:** Okay, not for the end of the year as well, right?
- Mahendra Nahata:** No, not at the end of the year. Not at this point of time. But yes, may be next quarter, I should be able to give you some number.
- Nikhil Purohit:** Got it. Okay. And out of the Rs. 10,000 crores, the order book executable is how much for this year?
- Mahendra Nahata:** This year is out of this particular Rs. 10,000 crores, particularly, I think Rs. 3,000 crores should be executable in the current year, but more number of orders are being received, which are to be executed in the current year itself, particularly fiber optic cable, for example, where you receive small orders like Rs. 40 crores, Rs. 50 crores, Rs. 30 crores, and which we keep on executing. But out of this Rs. 10,000 crores, it should be around about Rs. 3,000 crores.
- Nikhil Purohit:** Rs. 3,000 crores. Okay. Got it. And what is the PLI we are expecting for this year?
- Mahendra Nahata:** PLI, no, we are not expecting any PLI this year.
- Nikhil Purohit:** Okay. So, I think in quarter 3 FY '25, we had talked about some PLI of around Rs. 40 crores, Rs. 50 crores in FY '26. So this is not coming?
- Mahendra Nahata:** No, we thought we would receive, but we could not reach to the level of commitment we had made in terms of the revenue from indigenously manufactured products. So we really could not reach to that level. It is our mistake that we projected high numbers in the beginning, which if we had projected lower numbers, you would have got PLI, right now. There was no bar on projecting lower numbers. We thought we should be able to do more, but there was not so much of demand for indigenously manufactured telecom products and fiber optic cable is not a part of that PLI list. So it's unfortunate that we did not get any PLI. And nor do we expect anything in this current financial year.
- Nikhil Purohit:** Okay. And what will be the CAPEX for this year?

- Mahendra Nahata:** CAPEX for this year, give me a minute, I will come back to you before we end this. Roughly, I think currently about Rs. 250 crores because about Rs. 130 crores is going in IBR cable itself and something will go on optical fiber facility and miscellaneous, roughly about Rs. 250 crores, you can see in the full year.
- Nikhil Purohit:** Okay. Got it. Just 1 last question. So OFC, you mentioned Rs. 2,400 crores this year, up from Rs. 1,200 crores last year. Could you give you an estimate for the defense sector as well in the defense segment? What revenue are we targeting ?
- Mahendra Nahata:** I could not give an estimate, but current estimation if you take from me, my best estimation could be leading to about Rs. 200-plus crores, Rs. 200-plus crores, something like that. Again, these are some of the head estimates I am giving you because I must answer your question, but about Rs. 200 crores, I would say.
- Nikhil Purohit:** Okay. And we stick to the 15% -- what's the margin guidance, sorry?
- Mahendra Nahata:** Margin level, it depends.
- Nikhil Purohit:** No, overall. Overall.
- Mahendra Nahata:** Overall margin level here is still fiber optic cable, I expect to be about 15%. In turnkey, it is about 6% to 8% or sometimes a little bit more in BharatNet or overall 6% to 8% is in turnkey, I would say. Those are the kind of margins. And telecom products, again, it depends product to product, time to time, situation to situation. Like last quarter, the telecom product margin was very low.
- Nikhil Purohit:** Okay, got it. Thank you. Those were all my questions. Thanks.
- Moderator:** Thank you. The next question is from the line of Abhishek from NESTE Wealth LLP. Please go ahead.
- Abhishek:** Thank you for the opportunity. Just wanted to have your understanding on, last financial year we did a revenue of Rs. 4,064 crores, and this quarter we are at Rs. 871 crores or Rs. 869 crores, something like that. So if we assume 25% growth rate, we have to do somewhere around Rs. 4,200 crores in this nine-month period, which is approximately Rs. 1,400 crores per quarter. So are we on it?
- Mahendra Nahata:** Yes, we are on it. I am not saying that the Q2 would be Rs. 1,400 crores. So Q2 would definitely be better than the Q1. And every quarter, we will increase. And I am quite confident that 25% increase in the revenue would be there. Looking at the order book itself and the kind of orders we are receiving, we should be able to reach, out of the Rs. 10,000 crores, Rs. 3,000 crores should be executable in this year itself. Then there will be more orders coming up in the current financial year. So I do not have any reason to believe that it would not increase by 25%.
- Abhishek:** And Q2, can we expect Q2 to be profitable or PAT positive?

Mahendra Nahata: Well, I do not know at this point of time. It's too early to say, but revenue is going to be definitely far better. And with the increase in revenue, definitely marginal costing and overall overhead per unit of revenue goes down. So I wouldn't give you any guidance, but yes, it would be better than the current quarter.

Abhishek: Okay. And coming to the DRDO fuze part. So if we are able to do the test and all DRDO is able to do the test and test pass, how early we can have the order flow from here? Because last time, you had mentioned that we had confirmed orders which were wanting certificate from DRDO, Rs. 800-odd crores kind of.

Mahendra Nahata: That was not for handheld grenade. That was for fuze. We had order of Rs. 700 crores for exports. It was confirmed, but the testing could not happen, which was not our fault because ammunition was not supplied by the government. And this order had to go. Nobody would wait for us. Now we have got the ammunition. Testing is to take place in August and hope that would be successful, no reason not to be.

If that is successful, yes, plenty of orders would be there for electronic fuzes. Order is not going to be a problem. Mutli-mode Hand grenade if the testing is successful, which again, I believe it should be, it's not such a complicated product and technology from DRDO. So there is a reasonably good demand, but I do not know at this point of time, we have not gone to the market aggressively selling this product, but we have got LOI from one or two countries for buying multimode hand grenades. But once I let the testing is over, then I will come back to you.

Abhishek: Okay. And one last thing on the DRDO fuze test part. Let's say, it does not come to the expectations of DRDO. Sir, how long we will have to again wait for the next round of ammunition?

Mahendra Nahata: Look, first of all, I do not think there is any reason this time that it will not come to the expectation of DRDO. Last time also, how many fuzes fired on, only one type of fuze had one small problem. So there was a remark, in the **(Inaudible) 1:07:17.6]**. I did not want to go with that remark to the market. So I do not think there should be any problem this time in finally certifying the product. But let us assume it does not happen. So this time, ammunition deliveries would not be so late, may be two to three months' time.

Abhishek: Okay. Thank you so much. That's it from my side.

Moderator: Thank you. The next question is from the line of Kush from Analyst Asset. Please go ahead.

Khush: So out of order book of Rs. 10,000 crores, how much is from EPC?

Mahendra Nahata: I will tell you. Just give me a second. Out of that, about Rs. 6,400 crores would be for EPC.

Khush: And how much are you expecting it to convert it into the realization in this year?

Mahendra Nahata: Look, out of the total Rs. 10,000 crores, I am saying about Rs. 3,000 crores will be converted into this year. Now out of EPC of Rs. 6,494, I would say Rs. 1,000 crores, something like Rs. 1,000-Rs.1,200 crores should be convertible.

Khush: Okay. So, which means around Rs. 1,000 crores would be from our products.

Mahendra Nahata: Out of this Rs. 10,000 crores, but there will be more orders coming in.

Khush: Okay. And sir, on the optical fiber cable, so we are already around 100% utilization. So when we are expecting to get the additional this capacity as we are doing CAPEX?

Mahendra Nahata: Look, additional capacity has already started coming in, has already started coming in. And when I say 100% capacity utilization, it has really started picked up from the month of July. As I said, rather June was better, July has even been better. And there are so many different kind of cables we produce. So not that every cable we produce to 100% of capacity. Some be less than 100% also. Again, you have to realize one more thing. I am going may be too technical.

When you say 100%, there is always a variation between installed capacity and capacity which you can produce. Installed capacity people come in the same type of cable being produced continuously, which does not happen in real life because cables, customers, depending on requirement keeps on changing. So real capacity becomes roughly about 80% of the installed capacity on the single cable basis. So you have to take that 80% as 100%. From there, you have to go on. So right now, in July month, we should be reaching about 80% of that 80% because that 80% is the real capacity. And then the expansion capacity has already started happening, and it would be fully completed by June.

Khush: By March. So we are confident that we will be able to do Rs. 2,400 crores from the current capacity ?

Mahendra Nahata: Absolutely confident. Fiber optic cable division with all its connectivity solutions and all put together would definitely expect it to do Rs. 2,400 crores. These are going to be the big kickers this time. Fiber optic cable is going to be double than last year. Defense production is going to start. We have got large orders from BharatNet. We have got started producing routers. We are the only second company, Indian company to do so after Tejas to produce routers indigenously. We have got orders of Rs. 650 crores for routers. So more orders are expected. We have supplied Rs. 600 crores worth of locally designed and produced 5G products, unlicensed band radios. We have supplied 0.5 million till now, not in this year, but overall 0.5 million. So all these are big kickers this time in the current financial year for our company.

Moderator: Thank you. Due to time constraint, that was the last question. Investors can directly reach out to the Investor Relations team for further questions. I would now like to hand the conference over to the management for the closing comments.

Mahendra Nahata: Thank you very much to all the investors and the participants on the call. And I really appreciate your time and effort you have made in joining our call, and thank you very much. Thanks a lot.



*HFCL Limited
July 25, 2025*

Moderator:

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