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HFCL/SEC/26-27

October 26, 2026

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

Subject: Transcript of Conference Call on the Un-audited Financial Results of the Company for the 2nd Quarter and Half Year ended September 30, 2026, of the Financial Year 2026-27.

Dear Sir(s)/ Madam,

This is further to our earlier announcement dated October 19, 2026.

In terms of Regulation 30 read with Para A of Part A of Schedule III to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submit Transcript of the Conference Call held on October 19, 2026, on the Un-audited Financial Results of the Company for the 2nd Quarter and Half Year ended September 30, 2026, which were considered and approved by the Board of Directors of the Company, at its meeting held on October 19, 2026.

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**

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by MANOJ BAID

BAID

Date: 2026.10.26
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(Manoj Baid)

President & Company Secretary

Encl: Copy of Transcript.



“HFCL Limited
Q2 FY27 Conference Call”
October 19, 2026



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

MODERATOR: **MR. ACHAL LOHADE – NUVAMA INSTITUTIONAL
EQUITIES**



Moderator:

Ladies and gentlemen, good day, and welcome to the HFCL Limited Q2 FY27 Earnings Conference Call hosted by Nuvama Institutional Equities. Before we begin, I would also like to read the disclaimer statement. Statements made during this call may be forward-looking in nature based on management's current beliefs and expectations. They must be viewed in relation to the risks that HFCL's business faces that could cause its future results, performance or achievements to differ significantly from what is expressed or implied by such forward-looking statements.

Investors are therefore requested to check the information independently before making any investment or other decisions. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during 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 now hand the conference over to Mr. Achal Lohade from Nuvama Institutional Equities. Thank you, and over to you, sir.

Achal Lohade:

Yes. Thank you. Good afternoon, everyone. On behalf of Nuvama Institutional Equities, we are glad to host the senior management of HFCL Limited. To discuss the Q2 FY27 earnings, we have with us Mr. Mahendra Nahata, Promoter and Managing Director; Mr. V.R. Jain, CFO; Mr. Manoj Baid, Company Secretary; and Mr. Amit Agarwal, Head, Investor Relations. We'll start the call with the opening remarks from the management and then move to Q&A session. Thank you, and over to you, sir.

Mahendra Nahata:

Thank you, Achal. This is Mahendra Nahata, Managing Director of the company.

Good evening, ladies and gentlemen.

I extend a warm welcome to all of you on HFCL's Earnings Conference Call for the Second Quarter and half year ended September 30, 2026 of Financial Year 2026-27. I trust you have had the opportunity to review the Financial Results, Press Release and Investor Presentation, which have been uploaded on the Company's website as well as on the websites of the stock exchanges.

It is my privilege to present the best ever quarterly performance in HFCL's history that marks a defining moment in our growth journey. These results reflect the increasing scale, strength and momentum of our business and reinforce our confidence in HFCL's ability to deliver sustained growth and create enduring value for our stakeholders.

Let me begin with our outstanding performance for the second quarter and first half of FY27. Both profit before tax and profit after tax grew more than fivefold over the same period last year. Consolidated profit before tax in Q2 FY27 reached ₹538.60 crore as compared to ₹106.34 crore in Q2 FY26, rising 406.49% year-on-year and 62.46% quarter-on-quarter. Consolidated profit after tax in Q2 FY27 rose to ₹394.22 crore, as compared to ₹71.92 crore in Q2 FY26, an increase of 448.14% year-on-year and 60.49% quarter-on-quarter. On half yearly basis the PBT

grew from ₹61.64 crore to ₹870.12 crore, up by 1311.62% while PAT grew from ₹42.62 crore to ₹639.86 crore, up by 1401.31%.

Consolidated revenue surged to ₹2,541.79 crore, increasing by approximately 143.62% year-on-year and by 32.73% over the previous quarter. EBITDA increased to ₹658.00 crore, delivering growth of 223.55% year-on-year and 47.78% quarter-on-quarter. Equally significant, EBITDA margin expanded to 25.89%, improving by 640 basis points year-on-year and 264 basis points quarter-on-quarter, while PAT margin rose to 15.51%, gaining 862 basis points year-on-year and 268 basis points over the previous quarter. Together, these numbers demonstrate the strength of our operating model and ability to translate rapid growth into substantially higher profitability.

The momentum we are witnessing today reflects the strategic initiatives taken and investments made by the Company. We invested ahead of the curve in capabilities, capacity enhancement, backward integration, development of world-class technology products and global market access with a clear focus on building a stronger and more scalable business. These initiatives are now translating into meaningful business growth, which is also reflected in our export performance, representing a growth of approximately 493% year-on-year.

More significantly, the growing business visibility across these strategic initiatives gives us strong confidence in the journey ahead. I want to assure you that HFCL is on track to maintain its growth trajectory of revenue and profitability ahead. Our focus is on sustaining the pace of execution and translating the opportunity into continued strong performance.

Our order book stands at ₹28,900 crore, providing multi-year revenue visibility. Beyond this secured business, we also have a strong pipeline of orders at advanced stages likely to be converted into firm contracts in due course. Friends, I want to emphasise that we do not see this quarter as a peak, but as the sustained phase of strong growth. Our confidence rests on a robust order book, a strong pipeline and long term customer programmes. Our customers include some of the World's largest, financially strong technology companies, with demand anchored in long-term agreements and firm commitments. As the pipeline converts into orders, we expect our order book to strengthen further. These relationships, together with our capacity expansion and growing share of advanced optical connectivity products, give us strong visibility and confidence in sustaining—and building on—the current revenue and profitability trajectory.

Demand continues to accelerate across AI infrastructure, hyperscale data centres and telecom networks. Encouragingly, opportunities with hyperscalers and telecom operators across international markets are steadily converting into firm contracts, strengthening our order pipeline and providing revenue visibility for long term. Our sustained investments in technology, customer relationships and manufacturing capacity position HFCL strongly to capture this long-term growth opportunity.

Friends, you will recall that we began FY27 with a revenue growth aspiration of approximately 20% over FY26. After the first quarter, we revised it to 40%, and today when I present

Q2FY27 results to you, I am extremely pleased to share that, based on our current expectations and business visibility, we expect revenue growth of at least 80% in this financial year.

We had also envisaged achieving ₹10,000 crore revenue by FY29. Given the momentum we are seeing, I would not be surprised if we reach that milestone much before that.

To support the next phase, our planned investment of approximately ₹1,800 crore across optical fiber, cable and preform manufacturing will expand capacities and deepen integration. Our advanced cable portfolio and data centre connectivity capabilities are also progressing well, strengthening our ability to serve customers as their requirements grow.

Let me now turn to Defence and Aerospace sector, which we see as HFCL's next major engine of growth. We are very excited by the long-term opportunity in this business. Years of investment in indigenous technology, product development and qualification have created a platform that we are now translating into orders and deliveries.

Our portfolio spans thermal weapon sights, electronic fuzes, surveillance radars and Multi-Mode Hand Grenades. In September, we successfully delivered the second batch of Thermal Weapon Sights for AK-203 to the Indian Defence Forces. We expect to complete the acquisition during the current quarter. Importantly, the aerospace business being acquired already has unexecuted order book of approximately ₹1600 crore, providing good visibility from the outset. At the same time, our ambitions in this sector extend well beyond this acquisition, and we are actively working on several other large opportunities. We remain on track towards our aspiration of approximately ₹500 crore of Defence revenue in FY27.

We are also setting up an ammunition manufacturing complex in the state of Andhra Pradesh. As I have already informed you that Government of AP has already allotted us 1000 acres of land parcel to set up this complex. Construction of this site will start soon. Together with the ongoing aerospace acquisition, will further strengthen our Defence and Aerospace platform. With a strong pipeline, expanding capabilities and increasing business visibility, we are confident that Defence and Aerospace can emerge as a substantially larger contributor to the Company's growth in the coming years.

Friends, let me close with conviction. We believe both optical fibre cable and connectivity solutions, Defence and Aerospace business are on the cusp of enormous growth. In Optical Fibre Cable, continuing demand, a strong order book and pipeline, and deeper backward integration support our confidence. In Defence, our capabilities, deliveries and strong pipeline are building the next leg of growth.

We expect this growth momentum to continue. The opportunity we see extends over the next six to seven years and beyond. We are determined to convert it into sustained revenue growth, stronger profitability and lasting value for all our stakeholders.

Thank you for your continued trust in HFCL. I wish you and your families a very happy Dussehra and prosperous Diwali. We will now be happy to take your questions.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Pranav Kshatriya with Emkay.
- Pranav Kshatriya:** Congratulations on a good set of numbers. I have 2 questions. First question is your presentation mentions that you have around INR18,500 crores of book for OFC and data center interconnect. I wanted to understand how much of that is coming from hyperscalers? And is there any concentration to specific hyperscaler in this order book? I wanted to get a customer risk profile, if at all there.
- Mahendra Nahata:** Pranav, I can't obviously give you the customer names and profile since its under NDA. But out of INR18,500 crores, a large portion would be from hyperscalers only, a large portion. I don't have the exact number, but yes, maybe 70% would be from hyperscalers of the export orders. Now the indigenous local orders are from telcos, mostly from telcos. Data centers are yet to pick up in India. Whenever they pick up, we'll be supplying to them also.
- Pranav Kshatriya:** Okay. My second question is that you've given 80% plus kind of growth and really good to see the acceleration. But I think your guidance seems very conservative because it seems like flat H2 or maybe slightly decline compared to what you have done in this quarter. Is it because you are being conservative or there is a capacity constraint or there is any preform supply challenges? Any color on that would be helpful.
- Mahendra Nahata:** Yes, it is always good to be conservative. Give you a lower number and surprise you by better numbers.
- Pranav Kshatriya:** Okay. Yes. But basically, that means that there is no I mean, supply challenges from in terms of preform or anything like that?
- Mahendra Nahata:** No., Not at all.
- Moderator:** Our next question comes from the line of Ashutosh Kumar Jha with Balyasny Asset Management.
- Ashutosh Kumar Jha:** Congrats on a great set of numbers and thank you for taking my question. Sir, just questions around the margin, particularly given the fact that we have already hit this 26% sort of margin level right now, and I'm assuming that the interconnect and connectivity solutions piece of the portfolio will be a higher-margin business. How do you think about the margin trajectory for the business for this year and even going ahead over the, call it, next 2 years?
- Mahendra Nahata:** Look, margin profile, again, depends upon kind of customers, kind of cable, kind of solutions they want because margin varies from product to product and solution to solution. On an overall basis, I would say margin profile is going to get better only. There is no chance I see of getting reverse or less.
- It is going to get somewhat better only because more orders are coming up for connectivity solutions, more orders are coming for higher fiber capacity fiber cables, which are not so much in supply by many suppliers. The suppliers are limited. So with the increase in volume,

capacity and also the kind of orders which we are receiving, there will be some increase in margin profile. There will be increase in margin profile.

Ashutosh Kumar Jha:

Sir, and my second question is around the sort of demand trajectory that you guys are seeing because there's this whole noise around rates going up in the U.S. and that could cause a slowdown in the build-out of data centers. How are you guys seeing the demand? Is there any sort of slowdown that you guys are seeing in the near term at least?

Mahendra Nahata:

I don't see any slowdown because the rates going up, you have to view data centers as a point of necessity. As the rates go up, at the same time, businesses want to increase their efficiency. AI has increased efficiency of the businesses by multifold.

So AI rather than being a luxury or availability to the few, it has become a common requirement and necessity. With that kind of a necessity going around, I don't think there will be any slow down in more data centers coming up in future or in the pace with which they are coming. I expect that to continue.

But the second point is very important, which is right now, you see the growth in North America, predominantly U.S.A. Now growth has not picked up as much either in Europe or in Asia. I'm not talking about China. I'm not really aware what is happening inside China. Very few people would be aware.

So this growth has to pick up in Europe and Asia also, including India. Middle East may be a different story at this point of time because of the political situation. But in rest of the Asia, Europe, this growth will pick up. So demand will come up from there also.

Second most important thing people may be missing is that demand from telcos are also going to increase. Telcos have not been buying much since last 2 years. Reason being simple, because the prices increased so much, telcos were not ready to absorb that shock.

But finally, they have realized they also need to increase their fiber network because data has to be ultimately carried from the subscriber by the telcos only in most cases. So they are also going to start buying fiber. In fact, some telcos, which have not come to the market are coming up now, and we are looking at the possibility of large orders from telcos also now.

In fact, we have started receiving very concrete inquiries from those telcos. So there will be, if at all, I'm saying if at all. 1 or 2 companies slow down their data center requirement, the demand which will come from Europe, from Asia, from Southeast Asia, from telcos, this is going to more than offset or rather increase the current level of demand.

Ashutosh Kumar Jha:

Understood, sir. Sir, if I may, just a last third question, which is around defense. If you can help us with how you see the evolution of this business going ahead? I think we have a fairly steady order book. You guys are building capabilities. How does this the revenue from this segment look like over the, call it, next 3 years?

Mahendra Nahata:

Yes, I can give a very short answer, a very long answer. So revenue this year, as I said, maintain INR500 crores to INR600 crores. Next year, we look at least INR2,000 crores. And aspiration is to take it in 3 years' time frame to INR5,000 crores.

Now if we look at the sector, geopolitical situation itself will tell you that every country is strengthening its defense requirement, including India, because defense has to be strengthened, particularly our country, the way our neighbors are, we really need to strengthen our defense capabilities. And government is doing that actively and promoting local industry.

So what we have done, developed a lot of equipment locally. A number of them are which are currently under trial in the last phase of trial, like, for example, radar. Certain radars, we have developed a unique capability like Foliage Penetration Radar. One trial has already taken place. Second trial is expected to happen in another 2 weeks or so. First trial has been very successful.

Second would also be successful because it's a different kind of a terrain. Now those kind of radars, then the Drone Detection Radar. We have already participated in a large tender for Drone Detection Radar in Chambal, where it is indigenously designed. Ground surveillance radar, indigenously designed, which we are expecting export orders also for that.

So these are the kind of technologies we have developed, which are indigenously developed and are going to be required by our armed forces and maybe export purposes also. Second area is aerospace, which we have gone into through acquisition. And there also, we have a pending order book of INR1,600 crores. That acquisition is expected to be completed in this quarter itself.

So that revenue also will get consolidated after acquisition being completed. So that also has a very good export demand. These all the orders are for exports, and we expect to receive large orders in this segment also in next few months' time frame. So overall, it should not be difficult for us to reach the INR2,000 crores figure and a INR5,000 crores figure.

We are looking for many more opportunities, many more partnerships. So and including this ammunition complex, which we are creating in Andhra Pradesh, as I already told in my opening remarks, that should also start giving us revenue in about 2 years' time. We have already participated in a tender for 800,000 multi-mode hand grenades, which would also be manufactured at this site only.

So we are pretty confident about defense and aerospace business. In fact, this provides us a second leg of growth in our business. So hypothetically, 5, 7 years later, fiber market, if at all stabilizes, then this sector of defense will show us growth. So there are 2 pillars of growth in the Company, which stabilizes the revenue and sustainability of profit or rather increase it when both of the sectors are going good. So defense and aerospace, we are very positive about.

Moderator:

Our next question comes from the line of Chinmay Sapre with Schonfeld.

- Chinmay Sapre:** Is it possible to give the split of revenues within telecom segment between conventional telcos and hyperscalers?
- Mahendra Nahata:** Say that again, I couldn't listen to you properly. Say that again.
- Chinmay Sapre:** For the telecom revenues, the telecom segment, which where we had about INR2,300-odd crores of revenue. Is it possible to give the split between conventional telcos and hyperscalers?
- Mahendra Nahata:** I would probably say it's something like 70-30, something like, not exactly number, something more or less 70-30.
- Chinmay Sapre:** Got it. And what utilization levels would be would this division be running at?
- Mahendra Nahata:** Look, fiber optic cable, let's divide in 2 parts, fiber and cable. Fiber runs 100% of the capacity. And again, when you ask 100% of the capacity, it varies from kind of fiber you manufacture. If you manufacture 250-micron fiber, capacity is something different. 180-micron cable, machines have to be slowed down. Capacity is something different, but the price realization is much higher. So it is more than the 100% capacity of if it was 250 micron.
- Similarly, cable, it depends upon who is buying cable. Somebody wants armored, somebody wants unarmored, somebody wants double jacketed, somebody wants loose tubes, somebody wants tight buffer, somebody wants IBR, somebody wants flat. You have to have different machines for different kind of cables and not that all the machines simultaneously run for everything.
- So though capacity utilization is more than 100%, but it may differ when the products are different and kind of products which are in demand. Like, for example, data center products are in demand. It is running 24/7 all time. Some telcos cable are less in demand. There may be some little bit less capacity. But overall, in terms of money terms, whatever capacity utilization we have envisaged that is 100%.
- Chinmay Sapre:** Okay. The second question is on the cost front. So what is the frequency of cost resets that we have in our contracts with our suppliers for preform. So just wanted to understand what kind of RM inflation are we seeing in preform and maybe it's not hit us so far because of contracted nature, but eventually, what sort of margin pressure could come from here?
- Mahendra Nahata:** Look, prices are determined on either yearly basis or 18 months basis depending upon contract to contract. So whichever have been our suppliers, which are yearly contracts or 1.5, 18 months or 24 months contracts there is no pressure on that. But whenever those contracts expire, of course, the price variation has to be there.
- But similarly, price is also increasing from the customers. These customers also, we have a similar situation. On the long-term contract, the price variation clause is there on a year-to-year basis. Year-to-year, we examine the prices and redo the prices. It can go down, it can go up. But nowadays, the time is it is only going to go up.

Chinmay Sapre: Got it. So margins, you think that you would be comfortable maintaining current level of margins?

Mahendra Nahata: Well, I'm not only confident of maintaining, but I'm confident of getting it better.

Moderator: Our next question comes from the line of Riken with Capri Family Office.

Riken: Congratulations for a very good set of results. Sir, the first question is if it is similar to the perspective you gave for the defense business from a 3-year perspective, if you could share probably a 3-year perspective on the optic fiber business of where do we see ourselves in terms of business size over there?

And you did mention you are confident of improving margins also. If you could outline what could be from a 3-year perspective, the key drivers that will help you improve margins in the optic fiber business. So one is the top line perspective from a 3-year point of view and a perspective of how margins can improve in this business over the medium-term perspective?

Mahendra Nahata: First of all, our margins are pretty decent even now. And there is a strong possibility of they are improving. First, let me come to the top line. The top line will definitely increase because we are increasing capacity. Fiber optic itself is going from 28 million to 38 million and 38 million to 43 million. Cable is going to about from 39 million fiber kilometers to 56 million and 56 million to 63 million fiber kilometers. So this itself would mean increase in the top line because the capacity is going up.

Then we are installing higher capacity for connectivity solutions introducing more products than only the fiber-based products, but also the other products which are required inside the data center. That also we are introducing and the revenue would start coming may be last quarter of the current financial year or may be in the larger way in the beginning of the next financial year.

Any way, this year itself, we have a connectivity solution revenue of about more than INR800 crores we had projected, which may be better rather. And next year, we have projected a revenue of INR2,000 crores, which was INR800 crores this year. And with the optical fiber cable revenue not going down, but increasing with the capacity increasing, there is every reason that we would see improvement in the top line.

With the improvement in the top line, even if I maintain the current percentage of cost or the margin, the bottom line will also increase. But percentage of margin, EBITDA or PBT you said, I expect somewhat increase in that also because of, one, higher capacity; two, more backward integration, preform, which we are introducing in next -- this construction is going to start soon and '28, late '28, our own preform would be available. So that would significantly increase our margin profile.

So one, top line is definitely increasing because of increasing capacity and higher number of connectivity solutions getting introduced. Some of them are very unique. And then the second, margin is going to improve because, one, higher capacity utilization or higher capacity

available; and second, because of backward integration; third, because of connectivity solutions.

Riken:

Got it, sir. That is very useful. Sir, the second question that I have is with regards to the defense business in terms of the way in which we see this business ramping up. You do have started reporting the segmental numbers here for some quarters now. So while we see that there has not been any meaningful scale up as yet it's in that INR40 crores, INR50 crores as of now in terms of quarterly run rate.

For that INR500 crores, it seems that you will sort of, at some point, have to do about INR200 crores of kind of a number a quarter. Can you help us with some visibility of what products have achieved some kind of approvals or scale, which will help us, let's say, maybe in Q3 or Q4, start doing a INR200 crores quarter kind of a run rate for the defense business?

Mahendra Nahata:

So look, one is electro-optic sights, which have started increasing revenue, and that will increase the revenue. Number two, radars. For example Foliage Penetration Radar, that has almost been through approval. Another couple of weeks and that will give us good revenue.

And then the second most important is the aerospace business, which we have gone for acquisition and just getting completed within this quarter. That has an order book of about INR1,600 crores or INR1,800 crores. So that will start giving us revenue from this quarter. So all put together, INR500 crores is not an issue. We'll surely be able to achieve.

Riken:

Got it, sir. And just one last question, sir. In the EPC business, we do see that this quarter also, there was a loss in that segment. You did mention that with the O&M revenues that should start seeing better profitability. Could you give us some sense on when do you start seeing that segment report positive numbers?

Mahendra Nahata:

Yes. I tell you why there has been loss. First, you should understand that, and then I come to when. So, this Army's AMC contract is now on the final stage of approval. First year's AMC is going to be done by BSNL, means they would give us a contract. Then next year onwards, it would be by the Army.

So BSNL is in final stage of approval, maybe a week or 10 days, it will get approved and will get signed. So that revenue would start coming in. So that expenditure, which is being incurred, so that would a large part of that would be offset by the revenue which come in because of AMC, which will be started coming to us. That is number one.

Number two, last quarter, we did a lot of work for BharatNet. But because there are some defined milestones in the tender, the expenses were incurred, but bills were not raised because the milestones are yet to be completed, verified and you know the processes, just engineers, what they call IEs, then the BSNL verification, then this BharatNet authority verification, all these long processes. File has to go through 25 different steps. One file if the 25th step put some query, it goes back to step 0 and then comes back step 25 again.

So submission of bill because of milestone issues has taken a longer time. This quarter, those bills will be getting submitted. So what had been debited as expense in the last quarter against that billing will be done in this quarter. So the loss which we incurred because of expenses incurred, but not billed, that will not happen this quarter.

So this I would say this loss, which is you have seen INR121 crores or some crores in the current quarter, next 2 quarters put together should not be more than INR75 crores to INR100 crores.

Riken: Got it. And when do we see profits reported in this segment, sir?

Mahendra Nahata: I think first quarter of next year, you would start seeing profit in this segment.

Moderator: Our next question comes from the line of Manik with Balyasny Asset Management.

Manik: Congrats on a great set of quarter. I'm just curious to understand on a very high level about the India data center opportunity. We do hear from many other industry participants about the data center growth in India and how it's evolving. But is there any color you can share in terms of how the pipeline is evolving for you? What kind of engagement or traction you are seeing on that front?

Mahendra Nahata: Look, India data center, government is putting a lot of emphasis and a lot of incentives are also coming from government for creation of data center by state governments in terms of availability of water, availability of power, availability of land, a lot of facilities are being given. Current capacity in India, as much I understand, is about 1.6 gigawatts for data center. This is expected to become 6 gigawatts by 2030.

It's a good increase, very good increase, and it will generate reasonably good demand. But if you compare it to what is happening in the U.S., it is minuscule in a sense that U.S. is already having 130 gigawatt of capacity and which they want to increase to 300 gigawatt by 2030. So you can understand the difference.

But it doesn't mean that India is lagging behind. If you look at Europe, Europe is also in the same situation what India is. They are not, again, as advanced as what U.S. is. But these countries will also come up. Like India in 4G came up all of a sudden, we became among the first 5 in the world in 4G, 5G.

Similar thing is going to happen in data center also. In my personal opinion, the way the private investment is coming in data center, this 6 gigawatt capacity would be more than 6 gigawatts by 2030, maybe 10 gigawatts still be that. That still is a good number.

All the major industrial houses are working on data centers: Reliance, Adani, Yotta, Mahindra, all of them, Tata, all of them are working on creation of new data centers. And government is also working on its own way of giving incentives to creation of data centers. So I am quite positive about India, but yes, compared to North American market, we are still a lot to catch up.

Manik: Got it. Got it. And maybe my second question just in terms of the FY29, INR10,000 crores of number that you've given seems extremely conservative given the kind of run rate that you're already giving. Any way in some way, if you can give us some guidance for FY28, both on top line and margins?

Mahendra Nahata: Well, I would avoid giving any guidance for FY28. But I can say this INR10,000 crores number would be achieved much sooner than we projected in FY29 because you can see the run rate by yourself. And FY28, I think we should be again, it's too early to give a guidance.

But yes, we should be doing better than what we are doing now in the current quarter or the current year or the current half year because the reason is simple. We have order book to be fulfilled and those orders have to be executed. And with the execution of those orders, the revenue will definitely go up. And moreover, more orders are in pipeline.

Capacity increase is taking place, most importantly, with increased capacity, of course, there will be increased supply also. So the revenue numbers and top line numbers and bottom line numbers, both are going to be better to the best of my expectation. Unless there is some global geopolitical thing happens, nobody can predict that. Business remaining business as such, I'm pretty sure that the numbers will be better.

Manik: Got it. Okay. No, that's helpful. Just lastly, with current revenue run rate, what kind of utilization levels would we be having at from financial standpoint?

Mahendra Nahata: I already answered this question. Fiber 100%. Cable also, again, as I said, different kind of cable are required by different class of customers, depending who is giving order for what, capacity utilization depends on. But you have to keep the machines for every kind of cable, what customer requires, any other different customers require.

So sometimes a particular kind of order machine may be working at 80% capacity or some other kind may be working at 100% capacity. But if you read then on the basis of revenue numbers because machines have to be kept for every kind of a requirement. So on the revenue numbers, you will see we are achieving 100% of capacity.

Moderator: Our next question comes from the line of Kush Tandon with Ananta Capital.

Kush Tandon: Many congratulations on numbers which are better than expectations again. Sir, I have 2, 3 questions. The first is, out of this H1 revenue of INR4,457 crores, how much will be revenue attributable to the USD1.1 billion order that we had got from the hyperscaler? Will you be able to share that number with us?

Mahendra Nahata: Kush, I don't have that number in particular. Only thing I can say we have already started delivering against that.

Kush Tandon: Okay. Apart from that hyperscaler, we have some other hyperscaler orders, sir? Just wanted to understand.

- Mahendra Nahata:** Yes, yes, of course, we have.
- Kush Tandon:** Okay. Understood. And sir, in the order book, we are seeing INR5,000 crores of O&M order book. I'm sure that would be at a higher margin than the regular business. Would you be able to quantify again the margin profile of the O&M business that you are running, sir?
- Mahendra Nahata:** Well, Kush, it would be broadly the same. Some of them may be less also, some of them may be more. But broadly, margin would be same as we get into normal turnkey contracts. Normal turnkey contracts, margin could be about, let us say, EBITDA margin could be something like 15% to 20%.
- Kush Tandon:** Okay. Also, sir, you mentioned about the EPC business, there was some possibility of restructuring or some thoughts on that. Any update on that.
- Mahendra Nahata:** We are already discussing that. The committee -- Board committee, which we had formed for restructuring and we have some external advice also taking E&Y probably, yes, E&Y. And that committee is already on just finishing line of making the recommendation. Once I receive the recommendation, I think may be a week or 10 days' time, we would be calling for a Board meeting to discuss and take a decision on that. So another couple of weeks, I think we should be able to finalize whatever restructuring we finally do. EPC is, of course, one thing which is under active consideration.
- Kush Tandon:** Okay. And sir, obviously, we are under a capex program of around INR1,250 crores is what I see in preform and there may be some other capex. But early thoughts because of the cash flow generation, any debt reduction thoughts going ahead, sir?
- Mahendra Nahata:** Any, what was that?
- Kush Tandon:** Debt reduction plans?
- Mahendra Nahata:** Debt reduction, yes, it will happen. Already, we are repaying old debt. We have taken some new debt for capex. And finally, the debt reduction will start in the current year.
- Kush Tandon:** You mean to say, sir, the March '27 and March '28 balance sheet, the debts will keep coming down?
- Mahendra Nahata:** Yes, it will substantially go down.
- Kush Tandon:** Okay. And sir, just one you've answered this question, but just wanted to understand, in this quarter, again, this is business as usual. No high-margin order, no onetime event, nothing like that in this quarter either.
- Mahendra Nahata:** No, there is no such thing that there is very high-margin business of any particular quarter. It will be as normal. As I've said, there may be some improvement in the margin, but there's no diamonds falling down from the sky.
- Moderator:** Our next question comes from the line of Khushi Soni with Nuvama Institutional Equities.

Khushi Soni:

Congratulations, sir, on yet another excellent quarter. My first question is with regards to the preform facility. So we have announced the capex to increase, and we have doubled our capacity from 300 metric tons to 600 metric tons. We also moved up the commissioning time line by almost 9 to 10 months.

So I wanted to understand what would the progress be on this expansion given that all global peers are also looking at capacity expansions on similar or larger scale? Do we see any headwinds in terms of supply chain issues or any machinery delay, any of that, if you can help answer?

Mahendra Nahata:

There is no such significant delay. We are going to start having I can't give you more details on that particular aspect because of commercial confidentiality, but we are going to have a midterm solution for our own preform starting from the first quarter of the next year itself -- calendar year itself. So that is one thing which is happening. Second, this 600 tons, which you talked about, there is no headwind as such.

But yes, machine supplies were there were 2, 3 months delays experienced by us, which we have already taken into account when we say October '28 because suppliers also got large orders. So we get orders, they get orders. So -- but there is no such headwind. And October '28 timeline which we have given, that would be met.

Khushi Soni:

Right, sir. Just a quick follow-up on that. Again, with the preform facility right now, since we are outsourcing preform, we don't really require germanium. But once the capacity comes in, do we have any contracts or how do we plan to ensure that we have adequate supply of germanium? Or do we see any impact on margins or any utilization ramp-up delays because of the availability?

Mahendra Nahata:

Khushi, we are already talking to some of the suppliers for germanium. It's too early to finalize a contract, but we are already getting in touch with a couple of suppliers of germanium from whom we have received positive response.

Khushi Soni:

Right, sir. And my second question would be...

Mahendra Nahata:

I said of course, but germanium percentage in the overall cost is so low, price would not be much impacted. But yes, supply, we have to tie up in advance. That's what we are working. So we will be needing germanium in 2 years from now. We are still working on that.

Khushi Soni:

My second question would be if you could provide some color on the quarter-on-quarter trends in terms of volumes and pricing, especially if you can give a sort of bifurcation between telecom and data center and how the data center segment has scaled up for us? So what kind of revenues we saw in FY26 then in Q1 and Q2, may be a sense of the mix that we have seen?

Mahendra Nahata:

Khushi, quarter-on-quarter trend, I can only say the revenue which you have seen in the current quarter, there will be growth in that revenue. There would there will definitely be growth in Q3. That's my best estimation as of today barring any absolutely something out of

control happening, which is the geopolitical situation, which cannot be controlled by anybody, but business going as such, there will be growth in next quarter.

So quarter-on-quarter, there is a growth expected. Next year also, there is a growth expected because the very fact that which I have told 2, 3 times on this call, the capacity itself is going up and orders are there. So naturally, there will be growth in revenue also. There's no doubt about that. So growth in revenue and profitability, both are expected.

Khushi Soni: So any kind of split in the data center and telecom that you can provide us with?

Mahendra Nahata: I would generally say anywhere between data center would be 65% to 75%, telcos would be between 25% to 35%. Somewhere will vary between that.

Khushi Soni: So this is in terms of revenue or volumes?

Mahendra Nahata: In terms of revenue.

Khushi Soni: In terms of revenue. And if you can give a sense of the difference in realizations?

Mahendra Nahata: Pardon me?

Khushi Soni: Difference in pricing or realizations between data center and telecom?

Mahendra Nahata: Data center prices are a bit higher because they need a very specialized fiber. Telcos don't need that kind of a specialized fiber. So naturally, data center prices would be higher because of higher level of technology and the kind of fiber required involved.

Khushi Soni: So in Q2, we have had a revenue growth of 33%, right? So if you can give us a sense of the growth mix or price mix, what how much is DC more than telecom? Just a broad sense so we can understand what is the mix?

Mahendra Nahata: It's not comparable because the products are different. Whereas telcos in most cases require D fiber, G.657B, which is fiber price is roughly, let us say, roughly USD15, roughly USD15. Now data centers require A2 fiber of 180 micron. The fiber price is USD25, USD26, USD27, something like that, USD25 maybe. So not comparable because these are 2 different products. You can't compare the price of a car and an aircraft. It's something like that. So I cannot compare the prices between the two.

But relative pricing, I can say, yes, data center prices are costlier because that kind of a fiber you draw, you draw at a very less speed because it's thinner. It has to be more careful to draw the fiber because the geometries have to be maintained. So tight-clad fibers are there. So these are different products. But in terms of -- when you talk of revenue, per meter revenue -- per kilometer, let me say, for a data center cable is much higher than a cable required by telco because the products are completely different.

Khushi Soni: Right, sir. So in Q2, have you seen any increase in the blended prices? I understand you mentioned that each of the fiber is different, and we cannot have a sense of each and every

one. But on a blended level, have you seen prices go up or remain stable? What has the trend been like, if you can highlight on that?

Mahendra Nahata: Prices in Q2 have really gone up. And I now see more or less stabilizing. But again, I may be completely wrong. I said this in the last quarter also that looks to be stabilizing, but then it has gone up by some 20%. So but if you ask my opinion, there may be some increase, but not as much as what you have seen in the previous quarters.

Moderator: Our next question comes from the line of Debashish Mazumdar with Shagun Capital.

Debashish Mazumdar: So most of my questions have been answered. Just one thing I wanted to understand, this is also on the margin front. If I compare our telecom margin, which is at EBITDA level must be upwards of 30%. And if I put that number for an Indian competition who is again, fully backward integrated doing around 20% and the global very large competition like Corning, who is again much higher attach rate and much higher connecting solution doing 30%.

So just wanted to understand in a comparative landscape, we are doing around 32%, 33% kind of EBITDA margin in the telecom business. So is it largely because of the product mix? It is largely because of the hyperscaler mix. What exactly is benefiting us to do this kind of margin in this quarter?

Mahendra Nahata: So I cannot comment on what somebody else is doing and how he is doing because it's not possible for me to know inside of anybody else's business. Only thing I can say what we are doing, and that is the thing I can explain. We are supplying mostly to data centers till now, but now starting for telcos also. Last year -- last quarter also, we supply to telcos, particularly to Indian telcos, not international telcos. Now we are talking to international telcos also where we think we'll get some orders. The telcos are now increasing their demand.

So obviously, as I said earlier, telcos have a different kind of cable requirement and data centers have a different kind of quality as well as quantity. Quantity is also different in case of telcos and data center, as I explained, 180 micron, 250 micron, D fiber, A2 fiber. So it depends who is doing more business of what kind. If somebody is supplying more telcos, his revenue per kilometer may be lower. Somebody is doing more of a high-quality fiber, maybe revenue could be higher.

So it all depends upon who is doing what. So I cannot comment on what somebody else is doing. That's not for me to comment. Everybody does what he thinks is the best. And they must be doing, whoever, their best. My good wishes to all competitors.

Debashish Mazumdar: Sure. Understood. And sir, this almost...

Mahendra Nahata: I don't treat competitors as competitors. I treat them as friends.

Debashish Mazumdar: Sure, sure. Obviously. And...

Mahendra Nahata: Maybe some of them are listening to this call.

- Debashish Mazumdar:** Possible, sir. And this INR29,000 crores order book that you are talking about, this will be delivered by what time, sir, this will be delivered I mean, what is the timeframe to be delivered of this order book?
- Mahendra Nahata:** Look, this would be some of them are 4 to 6 months, some of them are 3 years, 4 years. So mostly up to 4 years contract may be.
- Debashish Mazumdar:** Okay. But largely to be delivered on an average in a 2 years' time frame, considering that INR1,000 crores number.
- Mahendra Nahata:** Not necessarily. Some of them would extend to 5 years. And now we are talking about contracts of further 4 and 5 years now. So that would be next 5 years.
- Debashish Mazumdar:** Okay. Understood. And sir, third question is that 600 MT preform that we are putting in, is that sufficient for the 45 million capacity that we'll be having or we need further import there?
- Mahendra Nahata:** No. That will be just half of that. Half of that. The rest we will have to initially buy it from outside. That is the preform we will have to buy. And our own preform would be roughly about half of the capacity. Rest of the preform we have to buy from outside, for which we have some long-term contracts also.
- Moderator:** Our next question comes from the line of Sagar Parekh with Renaissance Asset Managers.
- Sagar Parekh:** Congratulations for a great set of numbers. Just as you gave the defense revenue visibility for the next 2, 3 years, your aspirations, can you also share how are you looking at your optical fiber cable business for the next 2, 3 years? Do you have any aspiration in mind that what kind of scale do you want to reach to?
- Mahendra Nahata:** Look, as I already said, we are increasing our capacity of 39 million fiber kilometers to 63 million fiber kilometers. That itself would give us increase in revenue. Now how much in monetary terms is very difficult to say at this point of time. It depends upon what kind of cable could be required, what capacity cable would be required. It's very difficult to say. But 39 million fiber kilometers to 63 million fiber kilometers, you can start doing your own calculation.
- Sagar Parekh:** 34 million fiber kilometers to 63 million fiber kilometers, right. So that's let's assume that this year will be about INR8,000 crores, INR9,000 crores of revenue from OFC. So that would translate to about INR16,000 crores, INR17,000 crores.
- Mahendra Nahata:** I have not said that. You have said that.
- Sagar Parekh:** Out of INR10,000 crores, I think defense would be INR500 crores and the rest, I think, about INR9,000 crores...
- Mahendra Nahata:** EPC is also there. Telecom is also there. So all of them are there. Let us say any number. It doesn't matter. 39 million fiber kilometers will go to 63 million fiber kilometers. So any number you talking, INR7,000 crores, INR7,500 crores, INR8,000 crores, I'm just not going to

the numbers right now. But yes, somewhere around that, somewhere around that, let us say, INR7,000 crores, just for as an example. So it goes to 63 million fiber kilometers. So you can do your calculation, but be very careful.

When I say 39 million fiber kilometers is the total capacity, some part of the capacity for the telco, for example, they need loose tube cable. They may not be buying at this point of time. So they may be lying idle. So 39 million fiber kilometers is the theoretical capacity. But finally, the numbers are important, what kind of numbers you achieve. That's what determines your capacity because not all kind of cables are manufactured at every point of time.

Generally, you can say the utilization will get better because we are now expanding the capacity of cables, which are currently in demand, like data center cables. So overall, it will increase only, but you can do your own calculations on that.

Sagar Parekh:

Right. And my next question was basically on the visibility because you just said that your order book is INR28,000 crores and about -- average about 4 years is what you said, right? So that if I divide just by 4, you have about INR7,000 crores of annual revenue run rate, whereas you are talking about may be even less than slightly less than double in 2 years. So it seems that we don't have any visibility beyond INR6000 crores, INR7,000 crores for now. Is that the right way to assume or...?

Mahendra Nahata:

No, no, no. There are 4 years you are talking, more orders are going to be received. Do you think that I'm going to sitting idle not taking more orders? Many more orders are in pipeline. So delivery will happen, orders will come. So like when I met you last time, I think order book was INR26,000 crores, if I'm not wrong.

Now it has been INR28,900 crores, so almost INR29,000 crores. So it has increased. Though we have delivered INR2,500 crores, but order book has gone up. So INR 2500 crores plus INR3,000 crores, if you look at that. So it means we have INR5,500 crores or more orders. So we'll keep on receiving more orders. I think order would be more than the supply we do.

Sagar Parekh:

No, that I understand. I understand that you will keep getting orders. My only point was that right now, as of now we have INR6,000 crores, INR7,000 crores of visibility in terms of revenue per year. Beyond that, no more...

Mahendra Nahata:

Again, you are wrong. It's not evenly distributed over 4 years. It's not evenly distributed. More orders will come. They would get added. More orders are coming. So more capacity is being added. That is on the basis of the order pipeline. So you cannot say if there is a INR28,000 crores order book and that will remain at INR28,000 crores and supply would be made out of that only. I'll give you one example. In 1 quarter, INR26,000 crores has become INR29,000 crores, whereas there has been a supply of INR2,500 crores. So against INR2,500 crores supply, you have received orders of INR5,500 crores.

Sagar Parekh:

And at any point of time, do you have any visibility for the next 2 years in terms of revenue?

- Mahendra Nahata:** No. Well, as I already said, capacity is increasing 39 million fiber kilometers to 63 million fiber kilometers. And last question, I answered this to Khushi. And then defense revenue, I've already said we have to do INR2,000 crores and possibly INR5,000 crores in next 2 years. So that should give enough visibility that there is going to be a reasonable growth in revenue and bottom line both.
- Moderator:** Our next question comes from the line of Rishubh Vasa with Indsec Securities and Finance Limited.
- Rishubh Vasa:** Congratulations on a good set of numbers. So my question pertains to the Defense Segment. So basically, we did around INR80 crores of revenues in the first half, and we are aspiring of around INR500 crores in FY27. So basically, I just wanted to understand this gap.
- Moderator:** Sir, the current participant seems to have dropped from the queue. We will proceed to the next participant. The next question comes from the line of Akshat Mehta with Seven Rivers Holding.
- Akshat Mehta:** Congrats on a great set of numbers. I just have one broad level industry-related question, sir. So for the next few years, right, you have roughly INR30,000 crores of order book, right, which will drive the growth, plus you will get more orders from there. So post, let's say, FY29, what will be what kind of capex from hyperscalers from AI data centers will you need to maintain a 14%, 15% growth rate from there on?
- Mahendra Nahata:** So capex, we have already announced that our capex spending capex is INR1,800 crores. So that...
- Akshat Mehta:** No, not from your side, sir, from the consumers.
- Mahendra Nahata:** Well, what I have heard of, I don't recollect the number, but I think they have been talking USD35 billion, something like capex for growth of data centers in US alone.
- Akshat Mehta:** Currently, around USD800 million for this year only.
- Mahendra Nahata:** Yes. Well, I may be wrong on those numbers. So don't hold me on that number. It may be a very different number, but it is in billions of dollars, and I don't have that number in my mind right now.
- Akshat Mehta:** Okay. And sir, I also wanted to understand that you're targeting INR800 crores of connectivity revenue in this year, what will that number be in Q2?
- Mahendra Nahata:** You're talking about...
- Akshat Mehta:** Connectivity.
- Mahendra Nahata:** Okay. Q2, I don't have the right number. Total is INR800 crores. Q1 -- just one second. I'll try to get the number. I don't know. I think you should take another INR300 crores, INR200 crores to INR300 crores, something like that.

- Akshat Mehta:** Okay. Is it Q1 or Q2, sir?
- Mahendra Nahata:** No, no, I'm talking about Q2.
- Akshat Mehta:** Okay.
- Mahendra Nahata:** It should be about INR300 crores plus, I think INR300 crores should be there.
- Moderator:** Our next question comes from the line of Smith Gala with RSPN Ventures.
- Smith Gala:** Congratulations on a strong set of numbers. So most of my questions have been answered, but one question I would like to have clarity on is on the interconnect revenue in quarter 2 as well as quarter 1 FY26 and what we expect for the full year FY27?
- Mahendra Nahata:** I've already answered this question that INR300 crores is our expectation for quarter 2 and INR800 crores is our expectation for the whole year.
- Smith Gala:** And quarter 1?
- Mahendra Nahata:** Quarter 1 was nil.
- Moderator:** Our next question comes from the line of Dhruv Sitlani with Vyomara Capital.
- Dhruv Sitlani:** Congratulations on the stellar set of numbers, sir. I had just 2 questions. So my first question is from Q1 to Q2, you had around 40% quarter-on-quarter growth. How much of the growth came from the volume increase versus the realization increase? And in this, going forward, in Q3 and Q4, do you expect further realization increase or not? And is there any capacity for more volume growth in the next 2 years?
- Mahendra Nahata:** Look, this growth came from volume and price both. It's not only price, not only volume. It came from both of that. Production also increased and prices also became better. So and the same trend is going to continue in the future also. It would come from both sides, volume and pricing both. Now how much would be volume, how much would be price, very difficult to say.
- The price, how much will become better or remain stable is very difficult for me to say now because different cables have different prices, different customers have different prices, different type of cables and fiber is there. It's very difficult to say like that. But overall, there will be growth that much I can say.
- Dhruv Sitlani:** Okay, sir. That is great. But it would be better if I can get some ballpark number by any chance with more than 50, like ratio is 50-50, 60-40 or 70-30, that would be great.
- Mahendra Nahata:** I cannot give you a ballpark number. If I give that, it would be an incorrect statement.

- Dhruv Sitlani:** Okay. No problem. Sir, my second question is on how much was the revenue from connectivity in Q2 that you answered rightly? And what is the trend that would be can we see going forward?
- Mahendra Nahata:** I've already told that three times in this call that we expect INR800 crores this year, INR2,000 crores next year.
- Moderator:** Our next question comes from the line of Tej Patel with Niveshaay.
- Tej Patel:** Yes. Congratulations on a good set of numbers. Sir, I know previous participant had asked the question on probably on volume value mix. But we, of course, get it there is volume growth coming from the new fiber -- the cable capacity going live. But just wanted an understanding on pricing terms.
- When you say, sir, the prices have increased, let's say, by 20%, 25% Q-on-Q because these are prices of market, right? But then we have entered into contracts which are long term in nature. So are we able to like pass on this complete 20%, 25% given our contracts are long term? Or is there a certain extent to which only this pass on happens?
- Mahendra Nahata:** Tej, one thing. First of all, when I say 20%, 25%, it's not for every raw material. I am talking about fiber, 20%, 25% fiber is there. There are other raw materials also, gases are there, there are plastic products are there, jelly is there. There are many other products. Not that every product has gone up by 20%, 25%. That is one.
- Second, whenever there are price increase, there is a negotiation between the buyer and seller and some equilibrium is always reached so that neither their purchase price is affected too much in percentage nor our profit margins impacted.
- So there is a price reset clause in most of the cases, most of long-term contracts, there is a price reset clause. Short-term contracts of 4 to 6 months, there is no reset clause. So in these cases, if prices of raw material go up, we have less margin. But in those contracts, which are 4 to 6 months, the price is always higher than there would be a 5-year. So all these things get balanced out finally.
- Tej Patel:** Superb. Got it. And sir, initially in between, you said you are probably having a midterm solution for our own preform starting from first quarter. If you could elaborate on this, what exactly is the solution?
- Mahendra Nahata:** I can't elaborate. This is a trade secret.
- Tej Patel:** Okay. No problem, sir. No problem. And sir, my last question is sorry.
- Mahendra Nahata:** There is a mid-term, but I can't elaborate more on that.
- Tej Patel:** Okay. Okay. And sir, but I mean, does this reduce cost? I mean, is it something related to process or something? Or is it some sourcing strategy?

Mahendra Nahata: Well, I would only say it would reduce cost.

Tej Patel: Okay. Superb. And sir, one last question is, sir, when you say we are probably putting up a facility for connectivity as well, and we are guiding good numbers towards connectivity as well. So all this business of connectivity, is it all of scale across, that is, between the data centers and within the campus? We are yet to sell a solution or make a product for completely that goes inside the data center, right? Because we will be needing separate certification for that, right? Is that understanding correct?

Mahendra Nahata: Look, you know what connectivity we are doing? It is inside the data centers, and that certification is already there. That is why we have started supplying and generating revenue out of that. Now, when you talk of certification, every data center does not require same kind of connectivity solution. If somebody else requires a different kind of a connectivity solutions, he would definitely do his own testing and qualification again. Not again.

For the first time, maybe he will do that because they are different kind of a connectivity solutions. So there is an ongoing process which always continues, because cable also same thing. People require different kind of cables, so if they buy a particular kind of cable for the first time, then qualification will have to happen. That is a continuous process.

Tej Patel: Superb. And sir, last question. In the presentation, we have put up stating margins of, let us say, greater than 27%. But today, just wanted to get your views, not on margins, but a broader scenario. Today, a lot of our margins has a lot of it has to do with the prices which optic fibers are currently at, right? But let us say a lot of these global players have announced capacity increase of almost 40%, 50%.

We ourselves are almost doubling our capacity, same as with our peer. So 2, 3 years down the line, the preform capacity also would be coming in. I am just trying to get an understanding on your views on the prices, let us say, would get impacted because of the supply. How are we probably thinking on margins when today we are saying we will be able to maintain 27% margins 2, 3 years down the line?

Mahendra Nahata: I tell you, preform prices will have to come down. Right now, the preform, if you want to buy from market, we are not buying from market because we have a pre-done contracts, so we have no issue. If you try to buy from market, they are insane prices, insane and that has to come down. It cannot continue. They have gone up by 600%.

I don't have to suffer because of that, because I have a predetermined contracts and these are being supplied, but that's insane, because that's something non-availability. So they have to come down. This USD300 per kg price cannot continue. and they will come down. Once the capacity increases, they have to come down to reasonable level which is equivalent to the prices of the fiber which is available at this point of time.

So those prices, current prices are insanity, and it is a factor of non-availability. If somebody asks you what is the price of something like X, which is not even available, then you quote any

price. How does it matter? So that price right now is insanity. It has to come down, and that what it means, that there is a very less capacity than what is required.

So that capacity is required. It has to come up. But that would not mean any dent on the profitability of company like ours, because we don't have to pay USD300 in any case. But it has to come down because -- it has to come down to realistic level. These are the prices of non-availability.

Moderator: Our next question comes from the line of Saket Kapoor with Kapoor & Company.

Saket Kapoor: Namaskar, Nahata ji.

Mahendra Nahata: Namaskar, Mr. Kapoor. I was waiting for you. I cannot finish the call without your question.

Saket Kapoor: Sir, just to continue on the aspect which you were just alluding to, particularly with respect to the preform availability and the insane prices. So taking into account the cyclical factor, sir, which we see in all the businesses, what according to you are the key risks currently associated with our business in terms of OFC pricing and this non-availability of the key raw material that has contributed to the improved realization? Sir, how will you summarize the scenario that is being played out right now?

Mahendra Nahata: First of all, raw material availability, we need germanium after 2 years. We have already started talking to suppliers for germanium. My preform suppliers at this moment have not talked to me of any less availability of germanium. It means germanium is available to them. If it is available to them, it will be available to us also. I don't think there is such a short supply that it would inhibit production of preform in a great quantity, because it is available from several companies. Country to country, there are export restrictions, but it's not that these are not available.

In 2 years' time, we will definitely need it, and we have already started talking to suppliers. So right now it is not impacting us. I do not have any knowledge about how it is impacting others. I have no knowledge of that. But from two years from now, geopolitical situation may be completely different. The shortage or so-called shortage is geopolitical, not really the shortage of raw material for any natural reason.

Saket Kapoor: Right, sir. That only what would actually factor it into the pricing also for the end product. Do you think that this is the sustainability of these margins going ahead? And secondly, with the type of cost of finance that has gone up, especially for the U.S. market and a lot of the data centers being funded through debt, how will these two scenarios put pressure on the viability of even the data centers going ahead? And then the entire story that has been planned out for 4-5 years. Just to have an understanding from you people as you are the veteran in the industry. So, how are we placed in this whole cycle, sir, just to hear your thought on the same?

Mahendra Nahata: As data centers are concerned, people have a rational mix of debt and equity of the large hyperscalers I am talking about. Large hyperscalers like Google, Meta, Microsoft, OpenAI and all that. If you look at the orders which companies like NVIDIA with GPUs, which are

primary suppliers for data centers, if you look at their demand, there is a huge demand they cannot fulfill. It means data centers are coming up.

Now even if there is some percentage less of data centers come up because of cost of capital increase, who are heavily reliant on debt, which obviously the major hyperscalers are not. So in that situation, as I have already talked, there will be demand coming up from Europe and Asia, which has not yet started in a meaningful manner. So that will offset that particular less capacity expansion of the data centers which are heavily reliant on debt only.

Rest, who are not heavily reliant on debt would continue because the companies are strong companies and then the demand for data center emanates from more data is being generated, which AI is generating. Now, if you say, what happens if AI does not happen? Well, I cannot say -- comment on that, but I do not think that there is any reason that AI will not happen. Some restriction may be there on use of AI for nefarious purposes, but AI is so much beneficial to humanity that it will keep on increasing its utilization and therefore data will keep on growing.

So I don't foresee any big risk out of this interest rate change, except there may be some closures, some less expansion in heavily debt-reliant companies, but that would be offset by Asia, Europe, and demand of telcos, as I have already said.

Moderator: Thank you. Ladies and gentlemen, we will take that as our last question for today. You may get in touch with Mr. Amit Agarwal for any further queries.

Mahendra Nahata: I think, all questions that can be there have already been answered. So any further question would only be repetition only. But still, any of you have any further query which is left unanswered, please send a mail to Amit Agarwal and we will immediately reply that. But the last question.

Moderator: Thank you. On behalf of Nuvama Institutional Equities, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

Mahendra Nahata: Thank you very much, gentlemen. Thank you very much, ladies and gentlemen, for being on the call, and I really appreciate your presence. And again, give you my lookout for the business that business is going to remain positive, business cycle is good, and there would be sustainability in the revenue and profitability of the Company. Thank you very much.

Moderator: Thank you.