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HFCL/SEC/24-25

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

Subject: Transcript of Conference Call on the Un-audited Financial Results of the Company for the 2nd Quarter and Half Year ended September 30, 2024, of the Financial Year 2024-25.

Dear Sir(s)/ Madam,

This is further to our earlier announcement dated October 14 and October 15, 2024.

In terms of Regulation 30 read with Para A of Part A of Schedule III to the SEBI Listing Regulations, we hereby submit Transcript of the Conference Call held on October 22, 2024, on the Un-audited Financial Results of the Company for the 2nd Quarter and Half Year ended September 30, 2024 of the Financial Year 2024-25, which were considered and approved by the Board of Directors of the Company, at its meeting held on October 21, 2024.

The aforesaid Transcript will also be available on the Company's website at <https://www.hfcl.com/>.

You are requested to take the above information on records and disseminate the same on your respective websites.

Thanking you.

Yours faithfully,
For **HFCL Limited**

(Manoj Baid)
President & Company Secretary

Encl: Copy of Transcript.

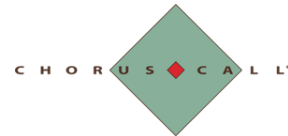


“HFCL Limited
Q2 FY '25 Earnings Conference Call”

October 22, 2024



 **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, INVESTOR RELATIONS

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

Moderator: Ladies and gentlemen, good day, and welcome to HFCL Q2 and H1 FY '25 Earnings Conference Call hosted by ICICI Securities. 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 risk 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 the participant's lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Mohit Lohia: Yes. Thank you, Palak. Hi, good afternoon, everyone. Thank you for joining us today for Q2 and H1 FY '25 earnings call of HFCL Limited. First of all, I would like to thank management for providing this opportunity to host this call. From the management side, we have Mr. Mahendra Nahata, Promoter and Managing Director; Mr. Vijay Raj Jain, Chief Financial Officer; Mr. Manoj Baid, Company Secretary; and Mr. Amit Agarwal, Head of Investor Relations.

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

Mahendra Nahata: Good evening Ladies and Gentlemen. I am delighted to welcome you all to HFCL's earnings call for the second quarter and half year of FY25. I trust that you got a chance to go through our financial results, press release and earnings presentation, which are available on the website of the Company and also on the website of stock exchanges.

India's digital infrastructure is advancing rapidly, in order to support the Country's accelerated development aspirations, with the deployment of 50 lakh km of optic fiber, 70% tower fiberization and village connectivity. The acceleration in 5G monetization, the initial thrust of 6G globally, Industry 4.0, hyper-scaling of data centers, increasing smart phone adoption and BharatNet Phase -III are some growth drivers of the Indian telecom industry. Artificial Intelligence and Machine Learning are reshaping the telecom industry, with GSMA estimating these to be a \$680 billion opportunity over the next 15-20 years. Additionally, implementation of Fiber-to-the-Home globally and the PLI scheme, alongside initiatives of promoting semiconductor manufacturing in India will fuel long term growth and encourage indigenous manufacturing.

We recently participated in the annual India Mobile Congress 2024 held in New Delhi, a premier exhibition in the telecom space. HFCL launched two revolutionary Unlicensed Band

Radio products at IMC. These include the 1 Gbps Small-Form Factor UBR and the 2 Gbps Point-to-Multipoint UBR, designed to meet the growing data demands of modern networks. With over 500,000 UBR deployments across India, the UK, Europe, the Middle East, and Africa, these Made-in-India solutions deliver fiber-like speeds at a fraction of the cost of conventional wireless backhauling methods. With power efficiency and significant CAPEX and OPEX savings, our new UBRs, paired with a unified Element Management System, represent a leap forward in last-mile connectivity, reaffirming HFCL's leadership in 4G/5G wireless backhauling solutions. With an aim to continue our market leadership in this space, we are making high technical advancements in our new range of products while offering cost effectiveness to our customers.

It gives me great pleasure to inform you that HFCL has successfully deployed one of the world's largest advanced Broadband Network Gateways with Control and User Plane Separation architecture for BSNL. This enhances network efficiency, delivering superior high-speed data for Fiber-to-the-Home and enterprise applications, significantly boosting capacity and reliability. Additionally, this deployment will serve as the Internet Gateway for the BharatNet project, supporting 2.5 lakh Gram Panchayats. As a trusted BSNL partner, we look forward to further collaborations, with HFCL playing a key role in BharatNet Phase-III.

India's defence sector holds a lucrative opportunity of \$138 billion over next decade amid the escalating demand for defence equipment, technologies and services, offering significant prospects for companies engaged in defence technology development and manufacturing. The quarter in review has been crucial for HFCL in demonstrating its defence capabilities and entering strategic partnerships with global players. One such significant development that underscores HFCL's technical prowess and commitment is that the Company has been selected to develop and supply critical sub-systems for General Atomics Aeronautical Systems Incorporated's advanced Unmanned Aircraft Systems. This partnership marks a milestone in HFCL's journey, as it becomes a key contributor to one of the world's most sophisticated unmanned aerial vehicles.

Further, in line with the Atmanirbhar Bharat Abhiyaan, HFCL has indigenously designed and developed various cutting edge defence technologies including Electronic Fuzes, Ti Cores for Thermal Sights, Thermal Weapon Sights for light machine guns and assault rifles, Ground and Coastal Surveillance Radars for various range and applications, High Capacity Radio Relays, among others.

The geopolitical situation, presents India with new opportunities to expand its role in the global defense industry. With strong R&D capabilities, HFCL is positioned to tap into both domestic and international defense markets.

As mentioned in last call, we have successfully initiated the field trial of our several variants of radars during Q2 and expect to make it commercially available from Q4 FY25 onwards.

We have also been shortlisted to participate in the tender for modernization of Infantry Combat Vehicles of Indian Army.

The broadband industry is gearing up for 2025 and we anticipate a lot of fiber deployments. We anticipate an acceleration in FTTH demand in the USA post the elections and the new government's likely focus on Build America, Buy America and Broadband Equity, Access, and Deployment programs. To meet this rising demand, we specifically designed and developed a product line for the US market consisting of high-density single-jacket single-armor Intermittently Bonded Ribbon cables with 144-1728 fiber, for which we bagged the ISE Innovators Award. HFCL also expanded its award-winning Nano Thin product line of loose tube microcables of 10.6mm diameter consisting of 864 fiber. With these innovative cable solutions, HFCL will cater to changing demands for network deployment driven by growth in data centers, metro networks and FTTx in North America.

With the UK being another key global market for HFCL, we showcased our comprehensive range of sustainable products. These offerings will enable UK operators to connect customers more quickly, cost-effectively and sustainably. These new additions will further expand HFCL's extensive optical fiber solution portfolio, paving the way for advanced fiber infrastructure and faster broadband rollouts in the UK, targeting Building Digital UK initiative.

Further, in order to meet the growing global demand and increase revenue through expansion in international markets, HFCL B.V., a wholly owned subsidiary of HFCL Limited in the Netherlands, has established a wholly owned subsidiary company namely HFCL UK Limited in the UK. Incorporating a company in the UK, will enable the Company to cater to the demand in the UK for its products and expand its business operations overseas. This move aligns with the Company's strategy to increase revenue from export markets, augmenting its presence and fostering growth opportunities.

We are targeting a significant increase in export revenue from our optic fiber segment, aiming for up to 70% of revenue to come from international markets in next three years. Additionally, we plan for 40-50% of our telecom segment revenue to be export-driven within the next three years.

The European Commission vide its verdict given on October 11, 2024 has exempted us from definitive anti-dumping duties on OFC, by which we have gained a competitive edge in the Europe. We are now focusing on expanding our fiber and telecom business in the North American market in a major way.

Apart from our cable solutions, HFCL has emerged as an end-to-end solution provider by increasing its business and market share from Passive Connectivity Solutions for optical fiber cable networks. On the back of its massive growth potential, HFCL expects to grow passive components business to INR 750 crores in next 2-3 years.

BharatNet presents a significant opportunity for us. BSNL has already floated a tender of approx ₹65,000 crore for capital expenditure over the next three years, followed by an expected additional ₹40,000 crore for operations and maintenance over 10 years. Funded by the Government of India through the Universal Service Obligation Fund, the BharatNet Phase III Project aligns with HFCL's core strengths, boosting demand for optical fiber cables,

accessories, telecom and networking products, system integration services and O&M annuity revenue. HFCL's integrated manufacturing capabilities, extensive experience in laying over 2 lakh kilometers of optical fiber cables and end-to-end solutions, positions it well to secure a substantial share of this opportunity. HFCL has already submitted bids, with the technical evaluation in advance stage.

We expect the fiber market to revive from the first quarter of the fiscal 2025-26. We are seeing signs of recovery as more tenders and enquiries are coming up.

Our total order book now stands at ~ INR 6151 crores as on Q2 of FY25.

Let me now brief you on the key performance metrics of Q2 FY25:

- Revenue for Q2 FY25 stood at INR 1094 Crores as compared to INR 1158 Crores in Q1 FY25 and INR 1111 Crores in Q2 FY24
- EBITDA for the quarter stood at INR 172 Crores as compared to INR 185 Crores in Q1 FY25 and INR 150 Crores in Q2 FY24; EBITDA margin stands at 15.71% for Q2 FY25 as compared to 16% for Q1 FY25 and it stood at 13.47% in Q2 FY24;
- For Q2 FY25, profit after tax stands at INR 73 Crores as compared to INR 111 Crores of Q1 FY25 and INR 70 Crores in Q2 FY24; PAT margin stands at 6.71% in Q2 FY25 as compared to 9.55% in Q1 FY25 and 6.31% in Q2 FY24
- Segment revenue for telecom products during the quarter stood at 46.46 % as compared to 61.42% in Q1 FY25 and 42.63% in Q2 FY24

In conclusion, India stands at the brink of transformation with the rapid rise of Artificial Intelligence and other cutting-edge technologies. This presents a significant opportunity for organizations like ours to innovate and drive this change. We remain committed to R&D and expanding our product portfolio across telecom, defense, optical fiber cable and passive connectivity solutions to capitalize on future opportunities. Our growth will be powered by a strong order book of with robust order pipeline, execution capabilities, capacity expansion, backward integration, customer base growth and entry into new markets—all driving revenue growth, margin improvement and efficient use of working capital.

Thank you, 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 Chandan Mishra, an Individual Investor. Please go ahead.

Chandan Mishra: Sir my question is related to execution of order. As we have seen very less order in quarter 2 compared to last year, whereas we have large orders, that is INR6,151 crores. First question is what is completion for this order? And secondly, sir, you have also guided for 25% to 30% for the next few years during last con-call. So, what causes this less execution in this quarter? And can we expect this to ramp up in next quarter?

Mahendra Nahata: Mr. Mishra, I could not understand your questions properly. Would you please repeat them?

Chandan Mishra: Sir, my first question is, we have order book of INR 6,151 crores, what is completion time for this sir?

Mahendra Nahata: Okay.

Chandan Mishra: And the second question is sir during last con-call, you have guided revenue growth of 25% to 30% for the next few years. So, what causes us this less execution in quarter 2? And can we expect this to ramp up in next quarter?

Mahendra Nahata: Yes, Mr. Mishra, the INR6,151 crores order out of which roughly about INR1,500 crores to INR1,800 crores of order is O&M, which would continue for the next 5 or 6 years. Rest orders which are roughly about more than INR4,000 crores have to be executed in next, let us say, 12 to 18 months' time frame.

And as far as growth is concerned, we are very sure about the overall growth of the Company. Quarter-to-quarter, it may differ because of the market situation. For example, fiber optic cable market has been very depressed worldwide since last about 3 quarters. So, you would see the Fiber Optic Cable revenue of every company in the world has gone down drastically.

So we cannot be different than the worldwide situation. So Fiber Optic Cable demand has gone down and revenue has gone down from that. But now we are seeing that the fiber optic cable market is coming up again in India and abroad. So the growth will come back into the market and the Company also. So overall, I remain really very bullish with the growth opportunities not only from telecom, but also from defence sector, for which we have got several products which are under trial, which are getting approved one by one.

And once commercial marketing of this starts, which we expect to start from either end of this financial year or beginning of the next financial year, that revenue will also come up. We are very we have a strong belief in the management, the growth of the Company would be on track, except sometimes like fiber optic cable situation comes up, where the growth of that particular segment goes down. But as I said, this is also coming back now. And from the next quarter onwards, we see a Fiber Optic Cable market is going to come back to the better situation than what it is now.

Chandan Mishra: Sir, in the last con-call, you have guided for 25% to 30% growth in revenue, is that excluding from...

Mahendra Nahata: In 3 years' time frame, we should reach to something like INR10,000 crores of revenue. I quite believe that we should be able to do that. As far as the current year is concerned, we are on track of our revenue projection except in Fiber Optic Cable business which helps in the downtrend which was not expected to that level of downtrend in the Fiber Optic Cable market by any company in the world.

So as I said, we cannot be different than the other companies in the world. But again, this market is now improving. So as far as our growth is concerned, except Fiber Optic Cable

market, which is the market situation worldwide, we are on track to reach to the numbers which we have thought of.

Chandan Mishra: Sir, that means this year will be like subdued revenue due to optical cable slowdown?

Mahendra Nahata: No, I am not saying it would be subdued. In the case of Optical Fiber Cable it may be subdued. Rest, we are not saying it is going to be subdued.

Moderator: The next question is from the line of Manish Ostwal from Nirmal Bang Securities Private Limited.

Manish Ostwal: My question on both the BharatNet and BSNL opportunity in the domestic market as well as the international market, you said in your initial remarks the inquiry and pipeline is very, very strong. So first, what is the size of opportunity both with respect to BSNL as well as BharatNet for us in the next 2 to 3 years? And how much order visibility we have on the domestic market?

And secondly, international side, we have a lot of capability built over the time. And now when we can see a meaningful order inflow for us to have a sizable revenue from international market at a consolidated level?

Mahendra Nahata: Mr. Ostwal, thank you very much. Very good question. Fiber optic cable market up to last year, it was doing very well. Then all of a sudden because people have built up the stocks, operators and everybody and offtake could not take place as much as expected. So finishing of stock was what was going on.

Now what has happened, we have started seeing that the stocks have gone and new opportunities have come up and the operators are coming up with the new tenders, new inquiries. Now as far as opportunity size is concerned, BharatNet itself presents an opportunity of roughly about the present tender. And then some more tenders are to come from the different state governments, which are implementing the BharatNet Phase III by themselves rather than through BSNL. Total demand, I expect is about going to be 20 lakh fiber kilometers.

Now more or less, you multiply it by INR1,000 per fiber kilometre. So that is going to be the opportunity for Fiber Optic Cable in the next 3 years, just BharatNet alone.

Apart from that, for the private operators, I see other opportunity on a yearly basis of roughly about, I would say, INR700 crores to INR800 crores of private operators' opportunity in the Indian market itself. So, this is as far as Indian market opportunities is concerned.

Now coming to international market opportunities. Total market opportunity, I'm excluding China from this because China will build its own demand, and it doesn't come out. The total market opportunity is roughly about 350 million fiber kilometers, which had gone down by some 20% - 30% last year, which is going to come back to roughly about 350 million fiber kilometers.

So that's going to be the opportunity for the international market. Again, roughly you multiply it by INR1,000 per kilometre of fiber, that's going to be the total market opportunity for fiber optic cable. As far as HFCL is concerned, we are concentrating, one, on Indian market where we have almost 50% market share.

And with BharatNet coming and the private operators revising their fiber optic cable requirement, I believe that should be a strong next year should be a strong year for us in the fiber optic cable business, which this year was not so strong first 2 quarters because of less demand worldwide.

As far as international market is concerned, our concentration is in European market where we have got good opportunity because we have not been imposed countervailing duty as others have been, Chinese suppliers have been. So, we have a competitive edge. And now we are concentrating quite a lot on the US market also.

The US market is also coming up with a very big demand for Fiber to the Home. The government incentives being given. We are concentrating quite a bit on the US market. So, what we see that starting from the fourth quarter of this financial year, this market of fiber optic cable would pick up significantly and will come back more or less to the old levels. which it was.

Manish Ostwal:

Okay. Secondly, sir, on the margin side, since you indicated the product revenue will increase over the medium term. So current margin, which is H1 number is 15.86%, so where do you see the medium-term margin settle down or even for the full year F '25, what is our guidance on the margin side?

Mahendra Nahata:

I think, Manish, your voice was muffled in between. I just -- please say -- what did you say? Margin what? Voice was the muffled, can you just bring microphone near to you?

Manish Ostwal:

Yes, yes. So, my question, sir, in the H1 FY'25, we have reported an EBITDA margin of 15.86%. My question is since we are increasing our revenue from product side over the medium term, so that will have an impact on the margin. So where will the margins settle down over the medium term, that is the medium-term question. And the short-term question is, for this particular financial year, what is the margin guidance at a consolidated level?

Mahendra Nahata:

Look, I believe that the margin in short term is concerned, I think it should remain same as it was there in the first 2 quarters. It should not change much. On the medium term, again, as the product revenue increases, as we have been trying to increase the product revenue, margin should remain -- become a little bit better, a little bit better only.

And another point, the backward integration, which we are doing, expanding our capacity in fiber that should also help us in increasing our margin. Right now, we buy a lot of fiber from outside. Once you do backward integration project which is under implementation is complete, that should also help us in enhancing our margins.

Manish Ostwal: And I believe we have submitted bids in BharatNet. So, when those bids will be out there, any timeline or any indication?

Mahendra Nahata: Sir, those bids are being evaluated. And as I understand, as much as we understand from what is happening, they are in advanced stage of technical evaluation. Technical evaluation, what again, this is government, I can only express what I understand or what my best of my opinion is, technical evaluation should get completed mid of November, sometime mid of November, looks like.

It may get delayed by a few days here, there because the government processes we all understand. And bids should be opened thereafter. And if all going well, contracts should be awarded sometimes financial evaluation will also take time, sometime beginning of next quarter.

Moderator: The next question is from the line of Akash Rampuria from Dron Capital. Please go ahead, sir.

Akash Rampuria: So, I just wanted to ask what are the signs of revival for fiber optic cable? And what is the current capacity utilization?

Mahendra Nahata: What did you say? What are the signs of revival of fiber optical business. That's what the question, Mr. Rampuria?

Akash Rampuria: Yes, yes.

Mahendra Nahata: Sign is that more inquiries are coming. More RFPs are coming from international customers. From local customers also more inquiries have come, and we have seen them giving higher projections for their requirement than what we were getting from them in the last quarter or previous quarter before that. So all that indicates once the customers are indicating that the requirement would be so much more than the last quarter. Some of my customers who did not purchase even a single fiber kilometre of fiber cable in the last quarter are now coming up with a very reasonably good demand.

So all that put together when customers come up with the projections that this is going to be our demand in the next 2 quarters or when we see that more RFPs or tenders coming from the international customers, that shows that the requirements are there, which was not happening for the last two quarters, such kind of demand opportunities or tenders or RFPs were not there, have started coming, which is a very heartening sign, which means now the requirement has come up.

And when we go to the international market, talk to the various customers, everybody is saying that, yes, we are now going to start purchasing, will start purchasing from the next quarter or quarter next to that. So those things do indicate that the demand is increasing.

Akash Rampuria: And sir, what is the current capacity utilization and what is the current price of fiber optic cable right now?

- Mahendra Nahata:** Fiber Optic Cable business, the current capacity utilisation is about 45%, and which we expect to improve from the next quarter, as I said.
- Akash Rampuria:** What will be the estimates?
- Mahendra Nahata:** Well, I cannot say that how much improvement would be there exactly, but I think this 45% should easily go up to 80% or so, or may be more also possibly, but I can't commit to that. But as I see, it has to be something like that, 80%, at least, may be more.
- Akash Rampuria:** And what is the price of fiber optic cable and how do we see it going forward?
- Mahendra Nahata:** Fiber optic cable, I can talk to you about the price. In terms of fiber kilometre, kind of a price per fiber kilometre, it is at the moment, the realization is about INR 900 per fiber per kilometre. To be precise, INR890 per fiber kilometre.
- Moderator:** The next question is from the line of Jinesh Shah from RSPN Ventures. Please go ahead, sir.
- Jinesh Shah:** So, my first question would be regarding the capex. Actually, the company was trying to planning for to do capex of approximately INR 900 crores in the couple of years...
- Mahendra Nahata:** Your voice is very loud, and it is echoing. Speak little slowly.
- Jinesh Shah:** Yes, yes, sure. So, my first question was that company was planning to do capex of approximately INR900 crores in next couple of years, right? In order to build the new capacity in Poland on extension of OFC. So, this fund is majorly via debt, right? So I just wanted to understand like...
- Mahendra Nahata:** Mr. Shah your voice is completely unclear. We just can't understand A, B, C, D of this. operator, can you see how the voice can be made better? It's completely very much echoing.
- Jinesh Shah:** Is it okay now?
- Mahendra Nahata:** It is now okay.
- Jinesh Shah:** Okay. So, my first question was that the company was planning to do capex of INR900 crores in next 2 years, I guess. So and majorly, it was funded via debt, right? So is company planning to do much more borrowings in like the next half of the financial year? Because I can see that in September balance sheet as well, the borrowings have been increased significantly. And also, if you can share about like vague idea about the repayment schedule so that in order to reduce working capital pressure on working capital cycle in near future?
- Vijay Raj Jain** So capex, which we have planned everything stands tied up by way of equity, debt and internal accruals. So our debt equity ratio is likely to remain in this range of 0.25 to 0.30. There is not going to be much borrowings. It's quite comfortable.
- Jinesh Shah:** Okay. So. Whatever you might have like raised debt in this first half of the financial year, so that is likely to remain stagnant, right?

Vijay Raj Jain

Yes. So, there are repayment also. If there are fresh borrowings, there are repayment also happening. So, it is likely to remain in the same range. And the entire capex is being funded by way of equity, which we have raised in the past and then some internal accruals and also by way of debt.

Jinesh Shah:

Okay. Fine. And so okay, my second question would be regarding the BharatNet Phase III project, which is for which the budget is approximately INR65,000 crores. So I just wanted the breakup of allocation of the funds like what amount of funds would be in OFC, equipment, EPC services, so that it sums up to almost INR60,000 crores, INR65,000 crores?

Mahendra Nahata:

So this INR65,000 crores is the total cost of the capex. Now how much would be cable and how much would be that? I would suspect cable and cable-related activities, when I say 15 lakh fiber kilometers would be roughly you can say about INR5,000 crores would be roughly about cable and INR5,000-plus crores to the cable and cable related activities and then equipment would be there and services like road digging, those kind of services would be another INR5,000 crore, INR7,000 crore, then duct will be there on the similar numbers, equipment would be there around INR8,000 crore to INR10,000 crores. This is the way it would be divided. I don't have the exact numbers, but more or less, I'm saying.

Jinesh Shah:

Okay. Fine. But still it doesn't sum up to like 60,000. That is like a huge number if I go with that but I'm saying that it still doesn't add up to INR65,000 crores...

Mahendra Nahata:

It doesn't add up to INR65,000 crores, doesn't add up. So there are a number of other services. I've just given you, more or less, this is going to be the requirement. But I have to make exact calculations, 15 lakh fiber kilometers multiplied by 1,000, how much it is?

Jinesh Shah:

Out of that if you can say what would be the TAM of HFCL in this overall project?

Mahendra Nahata:

HFCL's expected market share out of INR65,000 crores?

Jinesh Shah:

Yes. You can say that or opportunity, you can say.

Mahendra Nahata:

Our opportunity comes from 2 directions. One, the places where we have participated directly in the 5 different sectors, we are participating directly. Second, what we expect as orders for equipment and cable from other winners, not only what we get from directly, but other winners who are going to win, they are also going to buy our fiber optic cable, routers and UBR and those kind of equipment.

So, as I have said, we are more or less expecting somewhere between INR5,000 to INR8,000 crores, that is my best estimate at this point of time. I cannot commit to that because we don't know how the tenders open up or who wins, but reasonably we are expecting INR5,000 crores to INR8,000 crores of opportunity for HFCL.

Jinesh Shah:

Okay, fine. And one more question from my side that if you can just state that till now what all the projects that we have already bid for? And also, if you can mention the winning ratio of HFCL at this point of time?

Mahendra Nahata: We have been bidding various projects, and we are winning quite a lot. For example, BSNL, whatever projects we have bid, I think more than 50%, 60%, we have won. We have won BNG, we have won OTN, we have won UBR, so quite a good success rate is there.

Jinesh Shah: Can you quantify the overall amount if you have that number?

Mahendra Nahata: Overall amount of BSNL has been about INR800 crores has been for OTN, and UBR was roughly about INR200 some crores, and this one has been about INR40 crores. So BSNL has been roughly about INR1,000 crores plus.

And private operators, there is no bid as such. These are all negotiations, which take place, so wherever negotiations are there, which are our established customers, we are taking 100% of them, more or less. Internationally, yes, it's winning ratio could be something like 20%, 30%

Jinesh Shah: Okay. Fair enough. And also, just you mentioned in the opening commentary that you are like participating in the BEAD program that is in US, right? I've heard that the states have now like started with subgrant process in order and they are likely to submit the final proposal by this year itself. Can you just take even like estimate about like what what is the status of HFCL in it, like...

Mahendra Nahata: The purchase has not yet started. Look, there are two kind of opportunities in US. One is BEAD and one is non-BEAD. BEAD is going to be roughly about 30% of the opportunity. Rest 70% is not BEAD. Not everything is going to be under BEAD and BABA and all that. So, the market opportunities come from overall spread of FTTH in USA.

So non-BEAD also is a very big opportunity. BEAD program purchase has not yet started, as you're rightly saying. But apart from BEAD, operators have been their own work also for many, many areas in fiber optic cables. So non-BEAD opportunities, we have already started receiving inquiries. We are already participating in that. So it's not only BEAD, non-BEAD opportunities are also quite large.

Jinesh Shah: Okay. So I can conclude that the BEAD program, you have just submitted the proposal, but it's not yet out and...

Mahendra Nahata: No, we have not submitted any proposals because there are no inquiries as yet.

Jinesh Shah: No worries. Okay.

Mahendra Nahata: I never said that we have submitted any proposal. We just said that, that kind of demand would come up.

Moderator: The next question is from the line of Hardik Vyas from Economic Times. Please go ahead, sir.

Hardik Vyas: Sir, I had a couple of questions. Out of the total product revenue that we have recorded this quarter, I wanted to split between...

- Moderator:** Sorry to interrupt, sir. Mr. Vyas, please use handsets to ask question.
- Hardik Vyas:** Sir, can you split the contribution of revenues from the telecom products and OFCs for the quarter?
- Mahendra Nahata:** It's roughly about 50-50.**Hardik Vyas:** Okay. And as guidance is roughly INR2,000 crores for telecom products for the current financial year, are we on track to do that because...
- Mahendra Nahata:** Yes, we should be able to do that. There shouldn't be any problem.
- Hardik Vyas:** Okay. So, the guidance for the OFC business has been lower, but the Telco business remains the same?
- Mahendra Nahata:** Telco business remains almost there. But OFC world market has gone down significantly. So we are part of the world market, can't change that. So, it's not any guidance. That was our expectation, but the market demand has not picked up as we thought it would pick up, so as a result of that, OFC revenue has gone down considerably. But as I said, I expect this market to pick up from next quarter.
- That is our best expectation in India and internationally, both. In India, once the BharatNet tender is awarded by the end of this financial year, may be quarter next to that, it should pick up more significantly. But otherwise, also market is expected to pick up from next quarter.
- Hardik Vyas:** Okay. Is the execution of Madhya Pradesh and Uttar Pradesh Jal Nigam is a part of the turnkey revenues this year ,this quarter or are we expecting...
- Mahendra Nahata:** No, it is a part of it. It's the overall consolidated...
- Hardik Vyas:** How much time do we see till we finish those 2 orders?
- Mahendra Nahata:** I think Uttar Pradesh should be finished by end of March, and the other one should go into the mid of next year.
- Hardik Vyas:** Okay. And sir, do we see any new orders from the service business...
- Mahendra Nahata:** No, no. Service business -- BharatNet is going to be a large order when it comes.
- Hardik Vyas:** Okay. That you said in the last quarter...
- Mahendra Nahata:** Yes. Sir, you are in Economic Times, the government orders, you can only give your best expectations. So our best expectation should come up in the next quarter. But government is government, the time may take more or less.
- Moderator:** The next question is from the line of Sukant Garg from Equible Research Private Limited. Please go ahead, sir.

- Sukant Garg:** Sir, my question is majorly regarding the top customers. So what is the revenue concentration between the top three or top four customers, could you please provide that?
- Mahendra Nahata:** Top 3 or 4 customers would account for, I think, sir, about more than 60% of revenue.
- Sukant Garg:** And that revenue is from both the Telecom and Optic Fiber Cable or it's majorly from the Telecom sector?
- Mahendra Nahata:** Telecom and Optical Fiber Cable. Yes.
- Moderator:** The next question is from the line of Nikhil Purohit, Fident Asset Management. Please go ahead, sir.
- Nikhil Purohit:** Yes. Sir, I wanted to ask that does the business face any seasonality as such, such as H2 being stronger than H1 or anything like that?
- Mahendra Nahata:** Sir, repeat your question, your voice is again, I think...
- Nikhil Purohit:** So, does the business face any seasonality as such, H2 being stronger than H1?
- Mahendra Nahata:** Seasonality is always there in Q2. If you see the history, more or less every time you find Q2 has a seasonality because of rains. Because of rains, what happens as it is fiber optic cable demand has been lower, but on account of rains it becomes even lower because the installation and commissioning work of fiber optic cable does not happen at that speed because of rains, water logging and all that.
- So, there is a seasonality element in the EPC business, turnkey business and which also impacts the fiber optic cable business also. So, as the fiber optic cable market was down, coupled with the seasonality, this happened even to a greater extent. So Q2, generally, you expect seasonality because of rains. That's the more or less, my experience last 20 years, I've been watching that maybe barring in between a couple of years, some variations have been there.
- But more or less, seasonality is there in quarter 2. And if you look at international markets, some of the countries where you have very, very heavy snowfall, you will find the months of December, January, February, there would be less implementation of the network resources because of very high snowfall.
- Nikhil Purohit:** Understood. Understood. I have two more questions. So can you give the bifurcation for revenue within the product set.
- Moderator:** Sorry to interrupt, sir, may we request that you return to the question queue for follow-up questions, as there are several participants waiting for their turn. The next question is from the line of Kriti Tripathi from NVS Brokerage.

- Kriti Tripathi:** Yes. Myself Kriti. So my question was that for the Q2, the profit is around INR73 crores and the EPS is around INR0.52 on face value of INR1. Also the top line of the company is growing, the profitability is very reasonable. And even if I make arithmetic estimation based on that, the full year EPS is coming around to be INR2 or INR2.5. So given the current price and the PE is going around 55x to 60x. And even the correction is there, this is the condition. So what is the investor seeing the appreciation in the value? This is what I wanted to ask.
- Mahendra Nahata:** Well, whether the appreciation of the stock market would be there or not, share price, I can't comment on that. These are not for the management to comment.
- Kriti Tripathi:** Yes, but at least like EPS figure, how the company is planning improve on the profitability part and how the management is seeing that this investor returns can be rewarded to investors.
- Management:** So, this EPS will certainly improve with the increasing revenue as we have planned and have a vision that our revenue should be INR10,000 crores in 3 years' time. So definitely profitability will improve and EPS will also improve. So whatever endeavours we are taking now for capability buildup or this capacity buildup convert into revenue and this performance from next financial year onwards.
- Mahendra Nahata:** Kriti, we can only comment about the performance. About the investor return, market, these are not the issues which we can comment.
- Moderator:** The next question is from the line of Akash Rampuria from Dron Capital. Please go ahead, sir.
- Akash Rampuria:** When can we expect the revenue coming in from electric fuzes in the defence business?
- Mahendra Nahata:** Yes. These are under trial at the moment. And I sincerely believe that from the next year onwards, this revenue would start coming up. There are lot of inquiries, a huge number of inquiries are there for this electronic fuses. There are a number of inquiries. So this trial should get completed and then we believe that I expect reasonably good amount of revenue from that.
- Akash Rampuria:** How big is the market currently?
- Mahendra Nahata:** Market currently, I don't have an estimation of the world market with the geopolitical situation being what it is. But the number of inquiries we are receiving market should be in lakhs of fuzes. It should be in lakhs of fuses. We have inquiries worth few lakhs, few lakhs of fuses not rupees.
- Moderator:** The next question is from the line of Shubham Sethi from Logical Investing. Please go ahead, sir.
- Shubham Sethi:** Sir, my question is regarding the INR 2,000 crores of telecom and network product basically guidance that was given. So how much is the order book for the networking products? And are we on track to achieve that INR 2,000 crores?

Mahendra Nahata: I'll tell you one thing. Right now, the order book would be something like, I think, INR800 crores or INR900 crores, current order book should be there. But telecom products like any equipment or like UBR or Wi-Fi or fiber optic cable, you keep on receiving orders. Not that you always have orders in your hand of a huge quantum, but yes, right now, the orders should be something in the range of about INR 800 to INR 900 crores or...

Shubham Sethi: Okay, sir. Are we on track for INR 2,000 crore?

Mahendra Nahata: Out of that, part of the revenue has already happened. INR 800 crores, INR900 crores are pending order in our hands.

Shubham Sethi: Okay. So sir, overall, I think, how is the traction for our products in the market?

Mahendra Nahata: Traction is good. For example, 5G products like fixed wireless access, the UBR there's good traction. Good traction. Traction has no problem.

Moderator: The next question is from the line of Saket Kapoor from Kapoor Co. Please go ahead, sir. As there is no response, we'll go in from next question. The next question is from the line of Keval Navin Doshi from OMG. Please go ahead, sir.

Keval Navin Doshi: Okay. Since our focus is now getting more on products, can you just give some idea about in the next 3 years, which would be the top three or four products on which you would be focusing on, whether it is in Telecom or whether it is defence, all the factors put together?

Mahendra Nahata: Look, both. Telecom as well as defence. In Telecom, if you look 5G has got good demand attraction at this point of time. Out of the INR 900 crore order of the telecom equipment I talked about, there's only 1 equipment before which we have INR 600 crores order, which is 5G equipment. And we expect to receive more such orders.

And again, as we move forward, technology keeps on improving. So we are continuously improving our technologies and unlicensed band radio, I talked about, we have supplied 5 lakhs radios in the country. It started with 300 mbps, megabit per second capacity. Today, we are doing 2 gigabit per second capacity, 6x, 7x enhancement of the capacity.

Then earlier we were doing point to point, now we are working on point to multipoint radios. So, focus is always there on Telecom products, including Fiber Optic Cable also is a part of Telecom, only improving the size of cable, number of fibers, thickness of cable, thickness of fiber, all those kind of things are improving. So definitely, Telecom has been our core business and focus on telecom is going to be there.

But simultaneously we are focusing a lot on the defence products also by building our own IPR and also working on participation or collaboration with foreign companies also in the defence electronic field, both areas we are working. And that is also our focus area to build up our revenue from defence electronics.

Keval Navin Doshi: Okay. So roughly, sir, –if you have to break up in your mind, would you say that out of the turnover from products, 50% could be Defence, 50% could be Telecom products?

Mahendra Nahata: Yes, I would say should be 2:1; 2 from Telecom, 1 from defence, something like that in some time frame. But these ratios can keep on changing, sir, depending on market situation and all that.

Keval Navin Doshi: Right. And sir, how competitive is our pricing compared to...

Mahendra Nahata: Pricing is competitive. Unless you have competitive prices, you are not going to get orders.

Keval Navin Doshi: Do we have some advantage because of Make in India for the Telecom products?

Mahendra Nahata: Yes, definitely because of Make in India you have advantage because once you're manufacturing in India, your cost is low, your ability to design the products as for the requirement of the customer is there, your delivery is quick. So those advantages are definitely there.

But a number of other companies are also manufacturing in India. We are not the only one. And another benefit is the PLI, performance linked incentive that has been announced by the Government of India, we're recipient of that also. So that is another advantage.

Keval Navin Doshi: And our product would qualify?

Mahendra Nahata: Yes, yes. Sure, sure. It has already been approved.

Moderator: The next question is from the line of Manoj Dhuria from Dhuria Asset Management. Please go ahead, sir. The next question is from the line of Tushar Pandey, from Individual Investor. Please go ahead, sir.

Tushar Pandey: Last time around in the con-call, you mentioned it was not a formal guidance, but you mentioned that you kind of expect 25% to 30% revenue growth in this year. So sir, can we still see or if you would like to tweak that guidance?

Mahendra Nahata: It was not a guidance, estimation what we had at that point of a time. And that was hardly predicated upon our revenue in Fiber Optic Cable becoming about INR2,000 crores. What we see, Fiber Optic Cable market having been not so good. Rather, it has been very sluggish in the current financial year, that revenue probably will come down. It will not be INR2,000 crores. Rest all the estimations are more or less on track. Except Fiber Optic Cable, I think we are on track to achieve our numbers.

Tushar Pandey: Sir, why I asked this is because you had already mentioned that OFCs was facing a lot of headwinds because of the oversupply. So wouldn't this be already accounted for in the expectations that you mentioned that 25% to 30% is achievable?

Mahendra Nahata: AOP of the current financial year that was not the situation there. We had so much orders, we were overflowing with the orders and the capacity utilization were almost 100%. So we had not taken this into account, which happened all of a sudden, the demand went down and there were hardly any inquiries. So if we had known that then we would had taken that in account. So at that time, estimation was based upon what was the best situation what we could foresee.

Tushar Pandey: Okay, sir. And the second question is, you mentioned that you had already developed...Sir, last time around, you mentioned that you had already developed 1,764 fibers in 1 optical fiber cable. And you were planning to develop 3,400 fibers in 1 optic fiber cable. So sir, how is that planning out?

Mahendra Nahata: So 1,764 is already there. We are now starting to market that. The second one, development is going on, which is quite complex. 3,000 fibers in 1 cable and keeping the diameter low, so that's quite complex, but we are doing it. I think it will take a couple of 2 to 3 months more to finalize that.

Tushar Pandey: There are competitors in 3,400 fibers?

Mahendra Nahata: Yes, there would be competitors, absolutely. There would be at least 10 manufactures in the world who would be doing that.

Tushar Pandey: Indian competitors I was talking about.

Mahendra Nahata: India, I think there would be only Sterlite. I don't believe there is anybody more than that. Maybe Birla, VTL could be there. I'm not aware but Sterlite is there.

Moderator: The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead, sir.

Saket Kapoor: Sir, when we look at our first half performance, there is the increase in the interest cost outgo and also the employee cost that is not commensurate with the increase in the revenue. So if you could give us some color how are things shaping up with respect to these 2 line items?

And secondly, about the BharatNet part of the story, I think so it is taking longer than what anticipated or according to you, things are in line, and we can expect the awarding of orders by this quarter and then a clear picture would emerge, sir...

Mahendra Nahata: Look, Saketji, BharatNet has taken longer than expectations, definitely. Because tender was to come I think, 2 to 3 months before when it came. And if it had come at that point of time, it could have been possibly decided by now, possibly.

A tender came late. So that process of evaluation is going on, which is going on a reasonably good speed, looking at the government processes and all that, it is going on a reasonably good speed.

And I believe that again, my estimation, again, you never know, government may delay, government may do faster, you don't know really. But in my opinion, they should be able to

award the contract in the first quarter of the next calendar year, last quarter of this financial year, industry should be able to see the orders. But the government being government, one has to wait. One cannot be definitive of the times.

Saket Kapoor: It is also the urgency of the issue, sir. Whether, how important it is to get things done and get the order rewarded. That is also...

Mahendra Nahata: Look, I can tell you. Urgency on the one fact, the Prime Minister himself has announced the program from Red Fort on the Independence Day that itself tells you that how important the program is. If the Prime Minister announces from the Red Fort on the Independence Day that will connect all the villages by fiber optic cable, it's an important project.

If Prime Minister announces twice. –And it is part of that what government says, Pragati revenue, Pragati programs, which are reviewed by Prime Minister's office very periodically, it is part of that also, I believe. So it is important. And anyway connecting villages by fiber optic cable is not an issue only in India, it's worldwide. So India is taken a good lead in that.

It's quite an important program. And more important fact, I tell you. Money is available. If money is not available, then it becomes a low priority. Money comes from USO fund. USO fund is already having money for implementation of this program. And every year, more money comes in by the virtue of revenue share by the Operators, which is compulsorily given in to USO fund. So, money is not a constraint and Prime Minister himself has announced it. So, the importance is there, definitely on these 2, 3 facts you can understand.

Saket Kapoor: Right. And on the employee cost and the finance costs, they are trending higher, sir. And they are not commensurate to the revenue growth...

Vijay Raj Jain Saketji, there is hardly any variation in employee costs. It was INR88.70 crores in last quarter, which is INR89.45 crores in the current quarter. And similarly, the finance cost is also, it was INR42.31 crore in the last quarter, which is INR44.88 crore in this quarter. So there can be some variation because of some LCs getting opened or some bank guarantees. So, this is a small variation.

Saket Kapoor: Sir, I'm looking at the first half, sir. When we look at the first half, first half to first half, INR87 crores is this year's finance cost. That was INR71 crores last year and similarly, for the employee cost, instead of 173, it is 178. So, I was referring to the entire first half in terms of the finance cost rising up...

Vijay Raj Jain If you compare it to the last year, that debt profile was completely different, which has changed from last second half of the last financial year. If you compare Q3, Q4, Q1 of the preceding quarters, it is in alignment.

And secondly, see, we are building up the organization for the next journey. So, a lot of new hirings are there in various divisions. Mainly, Defence or Telecom, Optic Fiber Cable, some international markets. So, there will be some variations, which will convert into revenue in coming quarters.

- Saket Kapoor:** Sir, can you comment on O&M that who booked O&M in the first half? Yes, ma'am.
- Vijay Raj Jain:** Revenue of O&M is not much, maybe INR30 crores, INR40 crores-or-so. O&M revenue will start from 'FY27, FY'28. It will come to INR400 crores. It will start from '27, '28. Now it is around INR80 to INR 100 crores per year.
- Saket Kapoor:** INR32 crores?
- Vijay Raj Jain:** INR80- INR100 crores. First half it will be around INR40 crores- INR50 crores. Whole year it comes around INR 80 crores - INR 100 crores. O&M is not much.
- Mahendra Nahata:** But from year FY'27, it will go to INR300 crores to INR400 crores.
- Saket Kapoor:** Okay, sir. So we have to do a lot of catch-up with our earning profile now for the second half because as one of the participants did mention, there's a lot of expectation that has been built up with investors and somehow or the other because of conditions, not in our hand, that expectation is not matching with the performance. So we hope that we can walk the talk going ahead if it improved set of earnings going ahead?
- Mahendra Nahata:** Like I said, except Fiber Optic Cable nowhere else we will have problems. Fiber Optic Cable market worldwide there has been recession, we cannot be away from that. We have to go with the market. Now as far as Fiber Optic Cable market is concerned, I have repeatedly said that I'm expecting it to improve from the next quarter.
- So, I think we will definitely try our best whatever our investors expect from us, we are able to fulfil that. Maybe a quarter or 2 here or there can happen because of market conditions. But overall, this is -- I'm pretty sure that kind of effort the Company is doing, we will fulfil the expectations of our investors.
- Moderator:** The last question is from the line of Priyanshu from Frontline Capital Services. Please go ahead, sir.
- Priyanshu:** Sir, may I know the revenue and the profit guidance for the FY '25?
- Mahendra Nahata:** Well, I can't give any guidance at this point, Priyanshu. There's no guidance possible. I'm only saying that our expectation is that we should do well.
- Priyanshu:** Okay, sure. Thank you.
- Mahendra Nahata:** So, thank you very much, ladies and gentlemen. Thank you for your participation in this call of today. And I again reiterate that the Company is working very hard to see that the growth in revenue and the profitability both by doing more product-led revenue, by doing more and more in the export market, by going into different areas of Defence equipment.
- And I hope that because of the market conditions are turning out to be better now from what we have seen in the last 2 quarters, we expect that Telecom sector and Defence sector both



should do well in the Country and internationally and that should be impacting our Company also positively. Thank you very much. Thanks a lot.

Moderator:

Ladies and gentlemen, on behalf of ICICI Securities that concludes this conference. Thank you for joining us, and you may now disconnect your lines.