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HFCL/SEC/26-27 July 29, 2026

BSE Ltd.	National Stock Exchange of India Ltd.
1st Floor, New Trading Wing, Rotunda Building Phiroze Jeejeebhoy Towers, Dalal Street, Fort Mumbai – 400001 corp.relations@bseindia.com **Security Code No.: 500183**	Exchange Plaza, 5th Floor, C – 1, Block G Bandra – Kurla Complex, Bandra (E) Mumbai – 400051 cmlist@nse.co.in **Security Code No.: HFCL**

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

Subject: Transcript of Conference Call on the Un-audited Financial Results of the Company for the 1st Quarter ended June 30, 2026, of the Financial Year 2026-27.

Dear Sir(s)/ Madam,

This is further to our earlier announcement dated July 22, 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 July 22, 2026, on the Un-audited Financial Results of the Company for the 1st Quarter ended June 30, 2026, of the Financial Year 2026-27, which were considered and approved by the Board of Directors of the Company, at its meeting held on July 22, 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**

MANOJ BAID Digitally signed by MANOJ BAID Date: 2026.07.29 16:44:08 +05'30'

(Manoj Baid)
President & Company Secretary

Encl: Copy of Transcript.

"HFCL Limited

Q1 FY27 Conference Call"

July 22, 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 Q1 FY27 Conference Call hosted by Nuvama Institutional Equities. Before we begin, I would like to read a disclaimer statement. Statements made during this call may be forward-looking in nature based on the management's current beliefs and expectations. This must be viewed in relation to the risks of the HFCL business basis 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 decision. 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 for the opening remarks. 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 Q1 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. Thank you, and over to Mr. Nahata.

Mahendra Nahata: Good evening everyone,

I extend a warm welcome to all of you on HFCL's Earnings Conference Call for the First Quarter of Financial Year 2026-27. I trust you have had the opportunity to review our 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. Thank you for joining us today and for your continued interest in HFCL.

With strategic initiatives undertaken by the Company, HFCL, today, is on strong growth path. I am pleased to inform that your Company has delivered remarkable performance during the first quarter of FY27 with highest ever Quarterly Revenue, Profitability and the Order book.

We have emerged as a global player in Optical Fibre, Optical Fibre Cables and Optical Connectivity solutions, Defence & Aerospace, Telecom Products and Digital Infrastructure. Each of these businesses addresses large and rapidly expanding markets, and together they provide HFCL with multiple avenues for sustainable and profitable growth.

We are also encouraged by the increasing confidence shown by our customers, business partners and the investment community. Over the last few quarters, several reputed domestic and global institutional investors have become shareholders of HFCL. We sincerely welcome their confidence in the Company.

We began FY27 with clear priorities: to accelerate growth, improve profitability, strengthen our technology leadership and execute our long-term strategy with discipline. I am pleased to state that the first quarter has been an encouraging start in that direction. The quarter witnessed strong order inflows and execution across our core segments, continued improvement in profitability and sustained progress on several strategic initiatives that we believe will shape HFCL's growth over the coming years.

In our previous earnings call, we had outlined our aspiration for delivering around 20% revenue growth during FY27 supported by continued improvement in the quality and mix of revenues. Based on the progress achieved in the first quarter, healthy order inflows, favourable industry dynamics, expanding global opportunities and improving execution capabilities, we, to the best of our estimates, can raise our aspirations for FY27 to a revenue growth of 40% and above. This confidence is not based on any single order or short-term opportunity. It is supported by multiple growth platforms that are gaining momentum simultaneously and providing greater visibility to our business.

Another very important milestone during the quarter has been significant improvement in our profitability. During our previous earnings call, we had indicated our aspiration of achieving EBITDA margins of over 20% during FY27. I am pleased to share that the Company has achieved EBITDA margin of more than 23.25% in the very first quarter itself. More importantly, this reflects a structural enhancement in the quality of our business led by various initiatives taken by the Company over last few years.

A higher contribution from technology-led products, increasing exports, improved product mix, operating leverage and our continued focus on innovation are collectively driving stronger profitability. Our objective is not merely to grow revenues but to build a business that consistently delivers sustainable and profitable growth.

Our confidence is further strengthened by the quality of the orders secured during the quarter. We secured several strategically important orders across our core businesses, reinforcing HFCL's position as a trusted technology partner in Optical Connectivity and Digital Infrastructure. Consequently, our order book has strengthened to approximately ₹26,665 crore, which is not only all time high but is 5 times of FY26 revenue, providing healthy revenue visibility and supporting our confidence in the growth outlook for the Company.

I am pleased to inform that the global Optical Connectivity industry has entered a new phase of growth. The emergence of Artificial Intelligence, hyperscale data centres, cloud computing and high-performance computing is creating an entirely new source of demand for advanced optical fibre infrastructure. These technologies require massive data movement at extremely high speeds, making optical fibre an indispensable part of the ecosystem. The Telecom network expansion also remains as an important driver.

Based on order received and regular interactions with our customers we can definitely foresee demand pipeline continuing and market growing for at least for next 5 years.

In parallel, governments across the world are investing heavily in secure communication networks, strategic infrastructure and offensive capabilities creating additional demand from the defence and public infrastructure sectors. As a result, the industry today is supported by multiple demand drivers, making the long-term outlook significantly stronger and more resilient than in earlier investment cycles.

In anticipation of the significant opportunities emerging globally, we continue to strengthen our manufacturing capabilities. The expansion of our Optical Fibre manufacturing capacity from 28 million fibre kilometres to 34 million fibre kilometres is progressing well and will be completed by December 2026.

Similarly, the expansion of our Optical Fibre Cable manufacturing capacity from 34 million fibre kilometres to 43 million fibre kilometres and expansions of Infrastructure for data centre connectivity solutions are also progressing as planned and are expected to be commissioned within the targeted timelines.

As you know that the Board has already approved for setting up of greenfield preform manufacturing facility of 300 MT per annum with a capital outlay of Rs.580 crores as high level backward integration for further strengthening our supply chain with incremental fibre manufacturing capacities. These capacity expansions have been aligned with the orders in hand and increasing global demand and will further strengthen our ability to serve customers across domestic and international markets.

The data centre interconnectivity business has created another large opportunity for our optical connectivity segment. With the construction of hyperscale data centres demand for connectivity solutions is ever increasing. With this increase in demand, we are continuously expanding our capacities for the manufacture of interconnect products for the data centre. The manufacturing capacities including Company's subsidiary HTL Limited is being expanded by 5 times. Even in the first year of production, which is the current year, we expect a revenue of more than Rs.700 crores with a clear visibility to increase it further multiple folds in subsequent years.

I am pleased to inform that based on global opportunities and enquiries for data centre connectivity products, the Board of Directors of the Company in today's meeting has approved for an investment of Rs.215 crores for the expansion of manufacturing base for advance data centre connectivity products, including miniature multi fibre and super high density multi fibre termination assemblies.

Let me now turn to another exciting opportunity before us: Defence and Aerospace. Over the last several years, while strengthening our leadership in optical connectivity, we have simultaneously invested in building a differentiated Defence business. These investments have been guided by a long-term vision because indigenous development of defence technologies require sustained research & development, product qualification, customer validation and advanced manufacturing before meaningful commercialisation begins.

We consciously focused on building indigenous technologies, strengthening engineering capabilities and creating specialised manufacturing infrastructure to position HFCL for long-term participation in this strategically important sector. Today, we are beginning to see the benefits of these investments. The business has developed a healthy product pipeline, customer engagements have expanded considerably, and we are witnessing increased interest across both domestic and international markets.

The proposed acquisition of aerostructure business will expand HFCL's participation in the global aerospace value chain opening doors for many more opportunities in the segment. We expect this business to generate meaningful order inflows, creating another important avenue of growth for the Company.

The addressable opportunity before us continues to grow. India is witnessing one of the largest defence modernisation programmes in its history, supported by increasing capital expenditure, accelerated indigenisation, import substitution and the Government's continued emphasis on Aatmanirbhar Bharat. At the same time, increasing geopolitical uncertainties have led many countries to strengthen defence preparedness and diversify sourcing strategies. This is creating attractive opportunities for companies with indigenous capabilities and with globally competitive technologies.

Today, HFCL's defence portfolio spans surveillance radars of different variants, electronic fuzes, thermal imaging solutions, ammunitions, tactical cables, aerospace structures and with proposed acquisition and several next-generation technologies currently under development. Collectively, these businesses provide us with a strong foundation for sustainable long-term growth. At the beginning of the financial year, we had shared our aspiration of achieving approximately ₹500 crore of Revenue in Defence sector during FY27. Based on the current execution pipeline, customer engagements and order visibility, we remain firmly on track to achieve this objective.

One of the important milestones during the quarter was the groundbreaking ceremony of our upcoming Ammunition Manufacturing Complex in Andhra Pradesh, held on 15th May, 2026. We were honoured that this landmark event was graced by the Hon'ble Raksha Mantri of India and Hon'able Chief Minister of Andhra Pradesh, reflecting the strategic importance of the project and its alignment with the Government's vision of strengthening India's indigenous defence manufacturing ecosystem.

The complex is being developed to manufacture advanced ammunition systems, including electronic fuzes, Multi-Mode Hand Grenades and other specialised products designed to meet the evolving requirements of the Indian Armed Forces and global customers. We believe this investment will create significant opportunities for HFCL for years to come.

Products such as these, demonstrate the growing maturity of HFCL's research and development capabilities. These reflect our ability to develop differentiated technologies that solve complex operational challenges while reducing dependence on imported systems. We believe these products will continue to strengthen our competitive positioning in both domestic and international markets.

Our long-term aspiration is to build a Defence & Aerospace business which, over the coming years, has the potential to become nearly comparable in scale to HFCL's current overall business. Given the opportunities before us, the capabilities we have developed and the policy support for indigenous defence manufacturing, we remain confident that this business will emerge as one of the most important pillars of HFCL's future growth.

As HFCL continues to evolve into a diversified technology enterprise, we are equally focused on ensuring that our organisational structure and capital allocation framework remain aligned with the scale and complexity of our businesses. As communicated earlier, our Board had constituted a Restructuring Committee to evaluate strategic alternatives aimed at simplifying the Group structure, enhancing operational efficiency and unlocking long-term shareholder value.

We are actively evaluating various alternatives and, to support this process, we have appointed Ernst & Young as our strategic advisor. The objective of this exercise is clear to ensure that our organisational structure evolves in line with the transformation of our business portfolio while enabling each business to realise its full growth potential. While it would not be appropriate to comment on specific outcomes at this stage, I would like to assure our shareholders that every decision will be guided by three fundamental principles creating long-term shareholder value, strengthening operational effectiveness and preserving financial discipline. We will continue to keep all the stakeholders appropriately informed as this process progresses.

Let me now quickly take you through the consolidated financial performance for Q1FY27:

- Revenue for Q1FY27 stood at Rs. 1914.98 crore as compared to Rs. 871.02 crore in Q1FY26 and Rs. 1824.12 crore in Q4FY26.
- EBITDA for Q1FY27 stood at Rs. 445.27 crore as compared to Rs. 42.93 crore in Q1 FY26, more than 10 fold jump and Rs. 336.93 crore in Q4FY26;
- EBITDA margin in Q1FY27 stood at 23.25 % as compared to 4.93 % in Q1FY26 and 18.47 % for Q4 FY26.
- Profit After Tax for Q1FY27 stood at Rs. 245.64 crore as compared to –Rs. (29.30) crore in Q1FY26 and Rs. 184.45 crore in Q4FY26;
- PAT margin in Q1FY27 stood at 12.83 % as compared to (3.36%) in Q1FY26 and 10.11 % in Q4 FY26.

- Segment revenue from telecom products stood at 85% of total revenue in Q1 FY27 as compared to 62% in Q1FY26 and 85% in Q4 FY26.
- Export revenue stood at Rs. 1063 crores in Q1FY27 as compared to Rs. 210 crores in Q1FY26 and Rs. 1212 crores in Q4FY26

During the quarter, the Company delivered healthy growth in revenue while continuing to improve profitability. I am particularly encouraged by the improvement in the quality of our earnings. The increasing contribution from technology-led products, exports and value-added solutions, together with disciplined execution and favourable industry dynamics, is enabling us to build a stronger and more resilient business.

Going forward, our priorities remain clear. We will continue to strengthen our global leadership in Optical Connectivity. We will continue to scale our Defence & Aerospace business into a major growth platform. We will continue to invest in innovation, advanced technologies and differentiated products. We will continue to deepen our relationships with customers across India and global markets. Above all, we will remain committed to disciplined execution, prudent capital allocation and sustainable value creation.

On behalf of the Board and the entire management team, I would like to sincerely thank our customers, employees, business partners and shareholders for their continued trust and confidence. Your support inspires us to continuously raise our own benchmarks and strive for excellence in everything we do.

Thank you once again for joining us today.

We will now be happy to take your questions.

Moderator: Thank you. The first question comes from the line of Aman Saifee with Stallion Asset. Please go ahead.

Aman Saifee: Sir, I hope I'm audible?

Mahendra Nahata: Yes. You're very much audible, Aman.

Aman Saifee: Congrats on a great set of numbers. Sir, I just wanted to understand, we have recently announced an investment of INR215 crores, and we are already doing a preform capex as well. What would be our total capex for this year and next year?

Mahendra Nahata: Total capex of this year and next year, I can tell you. This year, total capex is INR640 crores, which includes part of the preform. Then 3 towers, which we are adding as increasing the manufacturing capacity of fiber from 28 million to 34 million fiber kilometers. And IBR lines, which have already been ordered and under delivery, INR60 crores.

And in our subsidiary, the data connectivity business of INR65 crores. In defence sector, INR100 crores. And today, what I announced, INR215 crores, out of which INR100 crores will be spent in this year. So total would be INR640 crores. Next year will be about INR615 crores, out of which INR325 crores will go to preform and INR175 crores to defence, and INR115 crores balance of INR215 crores would be in data center connectivity solutions. That would be INR615 crores.

Aman Saifee: Got it. Got it, sir. That's great. And sir, my second question would be, as you mentioned that this year, you are targeting around INR500 crores of defence execution. And when I see, sir, our telecom product business, our revenues on a sequential basis are holding up really nice. And if I just annualize that number, our annualized revenue comes to around INR9,300 crores. That's a significant revenue growth versus what you are guiding as 40%. I'm just trying to understand when you're having such a large tailwind, why you're being so conservative?

Mahendra Nahata: Look, I have not gone into this calculation of INR9,000 crores or so, but I can tell you one thing. We had talked of 20% growth in revenue in the last call and looking at the business potential and all that. And now I say we'll grow at 40%, but it is always good to be conservative, no? If I promised you 1 and give you 2, you would be happy. If I promise you 2 and give you 1, then you are unhappy.

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

Balasubramanian: Congratulations for a good set of numbers. I think we have really did well. And sir, first question, what is that global scenario on the pricing side, especially in data center and telecom side? I think we have varieties of products like premium side, more than 1,700 fiber counts and we have 3,500, we have 6,900 counts. So, I'm trying to understand what is the pricing level for higher fiber count cables and specialized cables compared to standard 288, 432 fiber cables for telecom product side?

And I think international market, we have seen a higher realization compared to domestic market. I think recently, we have got one of that biggest export orders for data center for hyperscalers. If you could talk about overall scenarios. And earlier, the pricing range anywhere INR1,200, INR1,300 per fiber kilometer. What is the current trend on that pricing side? And if you're talking about 40% growth, whether if you could quantify how much we can expect on that realization side and how much we can expect the volume growth side?

Mahendra Nahata: Balasubramanian, you have asked so many questions in one question that's difficult to remember also what you asked. Anyway, the fiber realization price depends on various things. There's no standard. For telcos, the fiber is different kind, A1 fiber with 250 microns. Data centers are A2 fiber with 200 microns or even less. So, price differs significantly.

So, a range I can give you, its range could be starting from $18 per fiber kilometers to $28 fiber kilometers. It all depends upon what fiber count, what kind of fiber size, what kind of fiber, all depends upon so many things. But I can only give you a range. There is no particular number I can tell you that this is the number. Range you can say from $18 to $28.

Balasubramanian: That is international market, right, sir?

Mahendra Nahata: International market side, that's what I'm saying. It depends who is buying, what kind of fiber he is buying, how many count of fiber he's buying. So, this is all very dynamic. And again, whether they are long-term orders, short-term orders, so there are no particular fixed price I can tell you. But yes, international market, you can take a little data centers, if you're talking about, you can take somewhere between $22 to $26, $28, depending again upon what kind of numbers and what kind of quantities and all that.

Telcos could be a little lower because they are different kind of a fiber. So, there's no fixed thing as such. This all varies with type of fiber, quantity, longevity and the long-term contract, all those kind of different things. But suddenly, prices have gone up quite a bit significantly in last 6 months.

Balasubramanian: Got it. Sir, my second question. On the project side, I think...

Moderator: I'm sorry to interrupt, Balasubramanian, you're not audible. Could you please come closer to your microphone?

Balasubramanian: Sir, on the project side, earlier call, it's mentioned about the Army project that things will realize from Q2. I think we can expect INR170 crores like AMC revenue from that front. We are on the track, sir?

Mahendra Nahata: Yes, yes. We are on track. From Q2, it should be possible. It is in the final, final stage. I think another month, it should happen.

Balasubramanian: Okay. So, we can expect the loss reduction from Q2 onwards?

Mahendra Nahata: Yes. I would say Q2, mid of Q2, yes, something like that or maybe a few days here and there. These are the government things. Things can always change by the month. So, but yes, sometime mid of Q2, you can say.

Balasubramanian: Okay, sir. Sir, my last question is on the margin side. I think last 3 quarters, we are maintaining nearly 30% kind of margins for telecom products side. Right now, we are in that 80%, 85% kind of mix, whether we should assume same kind of mix the entire year? And what is the sustainability of these margins over the next 2 to 3 years?

Mahendra Nahata: Yes, I think these are sustainable because we know our raw material prices. We know our sales prices because there are long-term contracts. So, I think the margins are sustainable.

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

Kush Tandon: Congratulations on significantly better-than-expected results. And sir, a couple of questions that I had. The first one was, sir, in this quarter, were there any higher-margin orders? You are saying margins are sustainable at these levels. But the quarter's performance, is it sustainable going ahead, sir? Was there any onetime large execution of an order, which is not sustainable in the next quarters? Anything like that?

Mahendra Nahata: Mr. Kush, first, let me ask you a question. You said that margins are better than expected. What did you expect?

Kush Tandon: Sir, it won't be fair on my part to answer that question, but significantly better than at least my expectations?

Mahendra Nahata: Look, I was joking. I was joking, just joking. As far as the margins are concerned, Kush, these are sustainable. There's nothing called a particular high-value or high-margin order which we have executed. These are the average orders -- average prices on the orders, which will continue possibly throughout the year. So, there is no kink up and down in any of these margins. So, it is totally sustainable.

Kush Tandon: Okay, sir. And let's say, if we take a 3-year view on the business, this super cycle in the optical fiber for data center business. So how are you seeing a 3-year outlook, if I may just ask on the pricing environment, the supply-demand environment?

Mahendra Nahata: Look, I will give you a 5-year outlook. Why 3 years? 3 years is a no-brainer. Even 5 years is no-brainer. Contracts are now getting signed for 10 years. You would have heard that Molex had a contract with Prysmian which is given for 10 years. So, 5-year outlook, as far as I can understand, there is absolutely no -- there's not going to be any let-up in demand. Demand is going to increase. I give you the reason for that.

Right now, if you see, most of the expansion is taking place in North America. You compare India as an example. India's total capacity is, I think, 1.5 gigawatt. In 3 years, we are expecting it to become 3 gigawatt. U.S.'s current capacity is about 150 gigawatt and 3 years, it is expected to be 300 gigawatt. So, Europe, the situation is similar to India, very low growth. Southeast Asia, Middle East, very low growth.

Now growth is starting to pick up. Middle East at the moment is a different kind of environment. I would not venture into that. But minus that, they are picking up the data centers construction. India is picking up the data center construction. Europe has to pick up. They cannot be far behind U.S. They can be behind, but can't be far behind U.S.

So, world over market of data center creation is going to go up and up. And the kind of data flow, which is required, massive amount of data flow is required. Fiber optic is the only solution. There is no other solution in the world available today.

So, demand of fiber optic cable is going to increase only. U.S. will have a huge amount of demand and the places where data center construction has now started for them to reach to the level of buying fiber, they will take 1 year, 2-year kind of a time frame. So, the demand will continue for at least 5 years and maybe more than that, maybe more than that. For 5 years, I can see a clear view that demand is not going to go down.

Kush Tandon: And sir, if you can give a view on supply also, especially Chinese supply, which may not be going to U.S. immediately. But sir, in a 5-year horizon, whenever there is a large supply-demand gap probably, then supplies also catch up, sir. So, any view on the supplies?

Mahendra Nahata: Look, you asked a question on China. Right now, as you know, U.S. is the largest market. Now in the U.S., China, one, they don't prefer China as I don't think there is an administrative order not to buy from China, but there is an administrative advice that administration is not in favor of buying from China.

I was with one of the customers whom I will not name, in U.S., a few weeks ago. And when we talked about the Chinese, they said, look, our administration is not in favor of our buying Chinese fiber. And these are the major hyperscalers.

Now question is, what would happen to China increase its capacity? One is, unwillingness to buy from China and higher duty on China. Today, there is a 35% duty on Chinese fiber, anything you import from China and U.S. So, in any case, the competitiveness of Chinese fiber goes down when you compare with us because of the higher amount of duty 10%, now 35%. So, supply, yes, would increase, but demand would also increase as I can see it. Now another sector of demand which has come for defence industry is fiber optic drones.

Today, there is a demand of almost 70 million to 100 million fiber kilometers of fiber for A2 type of fiber for fiber optic drones. And this demand is going to increase because till now, only those countries are buying fiber for the fiber optic drones, which are in war. But now slowly, every country is realizing that radio-controlled drones are not good. They can be controlled by jamming their frequency or such different methodologies.

So, people are using optical drones. And drones are the new fighting machines, as you know, no longer guns and all that, artillery and all that. So, drones are become increasingly popular. So, every country is now preparing for fiber optic drones. There's a huge new demand opportunity has come up there. So, supply is going to increase.

Now China, I would not worry much as far as U.S. market is concerned, which is a major market at this point of time. Southeast Asia, yes, China would dominate. But the Middle East, Europe, we have always been competing with China in telecom market, and we'll continue to do so for the data center market also. Because our capacities are also now big enough, world-class capacities. It's not that we don't have economies of scale. We do have economies of scale, and we will be able to compete.

Kush Tandon: Okay. Sir, is the cost of production in India and the cost of production in China with the duty, is it significantly cheaper than to procure from India?

Mahendra Nahata: No, I don't procure anything from China.

Kush Tandon: No, sir. Not you, sir, your customers.

Mahendra Nahata: No. Today, U.S., for example, many of them don't even consider procuring from China. Forget about prices.

Kush Tandon: Okay, okay.

Mahendra Nahata: But today, China is not cheaper that much, I can say. Even if somebody wants to procure, it's not cheaper.

Kush Tandon: Okay. If can just...

Moderator: I'm sorry to interrupt, Kush. I would request you to rejoin the queue for more questions. The next question comes from the line of Riken with Capri Global.

Riken: Congratulations on great set of results. Sir, I have 2 questions. First, if you could help understand both on the long the contracts that you have won on the optical network side, are these fixed price in nature or what kind of mechanism because your orders are like 3 years, 4 years out kind of orders. So, what kind of pricing mechanisms do they have?

And in one of your comments, you did touch upon the fact that on the raw material side also, we have kind of fixed contracts. So, if you could elaborate a little bit in terms of the kind of inflation that you are seeing on the raw material and whether that could have any impact on our margin performance?

Mahendra Nahata: Most of the long-term contracts, either raw material or the sales, have a variation clause on a yearly basis. Yearly basis, price are rediscussed. But in between, if there are large variations, then that will also be discussed. If there are large variations, which I don't anticipate. But if the yearly reset of the prices is always there, that depending on the market situation also there are reset clauses. But that opportunity has still not come because these contracts are not even year old.

So, I cannot say, but that the sales contract, there would be any reset or not. But yes, there was a reset in between when U.S. imposed 50% duty at some point of time, there were reset. Customers paid large part of that duty. And good thing is that, that duty has been refunded and we have paid them back.

Riken: Right, right. Got it, got it. So, in terms of both on the fixed on the supply side, I mean, the raw material side or on the demand side, it would not lead to any major impact on our margins is the reading that I'm taking from here, because it would be in some form of pass-through?

Mahendra Nahata: Because I tell you, it's both sides. Sales price will increase if the raw material price increase significantly. Significantly, I'm using the word, no? If there's a 5% increase, then the customer is not going to increase 5%. It's not a moving thing. If there's a significant increase, then we will go back to the customer.

If there's a significant decrease, customer comes back to us. The 50% example I gave you, when there is a 50% duty imposition, now I could not take a 50% duty. Customers helped me, and they were very helpful. But when the duty has been refunded, we have paid them back.

Riken: Got it, got it. Sir, that is very clear, sir. The second question which I have is on the new pillars of growth, which you alluded to, which is the Defence & Aerospace business. If you could give us some kind of visibility in terms of any product approvals that have been achieved in the defence business? And second, in the aerospace business by, let's say, FY28 or '29, and defence business, what kind of execution or top line do you think that we would be able to achieve in these 2 businesses, each of these businesses?

Mahendra Nahata: In '28-'29, I think this is '26-'27. '27-'28. '28-'29 in our Defence & Aerospace business, we should be crossing INR3,000 crores at least. And the year next to that, our target is INR5,000 crores. So '28, '29, we should be INR3,000 crores plus because we are right now having including one of the acquisitions which we have signed and which is in process of getting completed, acquisition process in advanced stage. Including that, we will definitely cross INR3,000 crores because in that, we are in negotiation for larger contracts, for export also.

Currently, the order book for export is roughly about INR2,200 crores. We have been shortlisted for a major contract for modernization of BMP-2, and we have submitted the modernized sample also. And I would like to say that, but it's a fact that in the internal trials, our equipment has been found to be the best, what we have modernized.

But again, that is the internal trial, not the Army trial. Army trial has started from 20th. So that should be that trial should be completed in about 1.5 months. Then the winter trial and then the orders take time, but I'm quite hopeful on that. So, aerospace order, land system orders, I believe that we should 3 years' time, I've given to myself for INR5,000 crores.

Riken: Got it. So, this year, at least, we should see order inflows starting to come through in a meaningful way for both these segments?

Mahendra Nahata: Yes. I agree with you, meaningful way. For our indigenously designed products, we are now what we have done are different kind of radars and sensors, we have integrated by our C2 system, command and control system. And we are going to give demonstration to Army Northern Command sometime in the month of September for as an integrated system.

And moreover, you must have heard of Home Ministry listing for securing the borders bordering Pakistan and Bangladesh through border protection system. There also the products which are designed are going to have quite significant use. So there also, they are talking of a Proof of Concept. There also, we will be working with them to work on a proof of concept, which BSF is organizing. So, all these places, we expect a reasonable amount of orders to come to us.

Riken: Got it, sir. Sir, just one last question...

Moderator: I'm sorry to interrupt, Riken, I would request you to rejoin the queue. The next question comes from the line of Sanjay Shah with KSA Securities Private Limited.

Sanjay Shah: Nahata, first of all, highly, highly congratulations and your tone of confidence in opening remarks was excellent and the way you have put in so many efforts since last so many years are now coming to show, and we are very well placed. Sir, my question was more regarding the optic fiber cable market, which is projected to reach around 21 billion by 2033 because of this growing demand driven by hyperscale data center and surging bandwidth demands of artificial intelligence.

But what we see that there are many international players from Italy and Japan and all who are increasing capacity, like Prysmian and Corning and all. So how we look HFCL on that side after this capacity which may come up because Prysmian is spending around $1.5 billion to double their capacity. So how what is the thought process on that, which can help us a lot to understand the growth path?

Mahendra Nahata: Sanjay, first of all, thank you very much for your compliment. Look, we are also increasing our capacity. We are also world-class players. We started with 8 million kilometers of fiber capacity. Now today, we are going to be 34 million very soon. Cable, we started something like 10 million, 12 million. I'm talking of these recent years, not old days. Old days were much less.

So today, we are going to be 45 million. So and last 2 years or 3 years, every month, we are increasing capacity. And I don't think that this 34 million kilometer of fiber or 45 million kilometer of cable is end of it. We are constantly reviewing that. As we receive more orders, as we receive more demand, as we receive more inquiries from customers, we are constantly reviewing that.

And maybe we will have to further increase capacity. I'm not denying that. I'm not saying that we will, but this is under constant review. And if necessary, we will also increase the capacity.

And no doubt that we are receiving a large number of inquiries at this point of time. As I talked, we really do not know whom to say yes or whom to say no. I'm really telling you. If I say yes to one, I have to say no to other one. So that has become the situation. So we are really keeping a very close watch. And maybe in near future, we may have to decide to increase our capacities further, which I'm not saying we have decided, but we may have to.

Sanjay Shah: That's great, sir. But how about the pricing? Because all this capacity come up when there could be a flood of supply. Is that true, what I understand?

Mahendra Nahata: Look, flood of supply, I tell you one thing. There are 2 major issues out here. One, technology. The data center operators are not buying normal fiber optic cables. For example, they are buying 7,000 fiber cables. Now how many of fiber optic cable suppliers have that kind of number of fiber cable?

Only very few, handful. So there India, we have 20 suppliers for fiber optic cable, but there are only 2 who can manufacture these kind of cables. My other friend may say that I do not have, but I have. So, there are only 2. So 18 do not have. So, if you look that kind of a number, there would be only very few people who have that kind of a capability to develop and supply those kind of products.

Then you have further changes in technology also coming up. It's not going to be technology is not going to remain constant. For example, multi-core fiber, hollow-core fiber, all these are coming up. We are developing hollow-core fiber. Now there are how many people in the world who are developing hollow-core fiber? So, this is also a question of technology, number one.

Number two, a reputation in the market. Look, I'm a number of other people also are connected with the hyperscalers who are already supplying to them. And we will have a long-term relationship with those guys. We have signed a 5-year contracts. So, when more demand comes up, naturally, they are not going to be changing their suppliers unnecessarily just because demand has gone down. Maybe they buy less from us at that point of a time.

But as I said, I don't expect demand to go down for next 5 years at least. Capacities are not going to be matching the increase in demand. Demand is still going to outstrip the capacity for 5 years, at least I can see.

Sanjay Shah: So, sir, on technology side, can we take HFCL at par with the global players?

Mahendra Nahata: Yes, absolutely. 7,000 fiber cables, we have already developed. We are now developing 14,000 fiber cable. Maybe there is a difference of 2, 3 months here and there, that can always happen, but not more than that. Hollow-core fiber, yes, Corning has already done a higher amount of work in hollow-core fiber than others. But we are also doing.

By the time hollow-core fiber becomes somewhat commercial, it is right now thousands of dollars per kilometer. It's not even worth considering. But by the time it becomes somewhat commercial in any quantity, we would also be coming up with the hollow-core fiber.

We are already in development phase with IIT Delhi for hollow-core fiber, IIT Delhi and one of the government organization in Kolkata, which already has a tower for manufacturing hollow-core kind of a fiber. We are already working on that. So, we are staying in the forefront of technology. Another point, unless we were in the forefront of technology, we'll not be receiving a $1 billion contract kind of a thing either for the cable or for connectivity solutions.

We recently received a contract worth how many? INR500 crores for another thing I must tell you, connectivity solution has also emerged as a very large market. Very large market. It's not small. It is going to be almost as near about as big as the higher length cable market.

Because you need as much connectivity solutions also, and that is more value-added product. Because you buy connectors, you cut into pieces, you connectorize them and then you send them, which is all a manual process. So, there is higher value addition.

So, it is also a very high potential market. And what your company is doing, I am increasing my capacity for connectivity products by 5x. In less than a year's time or let's say a year's time, progressively, my capacity will be 5x more than what it is today because that's a major market which is emerging now, where the size is going to be very, very, big billions of dollars worth of market. Because if you need data -- if you have data center, you need connectivity solution.

And what also we have done, not only cable or cable routes and all that, we are also developing rather developed passive all kinds of for passive connectivity solutions: plastic boxes, cassettes, jointing boxes and all that.

So, we can be one-stop shop for all connectivity solutions for a data center, cable and all other products, the plastic trays and the cassettes and all that, which are required inside data centers. We'll be one-stop shop. So, it's going to be an entire set of connectivity solutions. That is another leap we have taken in this business.

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

Manik Mahajan: Congrats on the good set of numbers. The first thing I wanted to understand was with respect to your comment on the margin and the margin guidance of 20%, you mentioned that for the...

Mahendra Nahata: Your voice -- can you just be near the microphone and say that again?

Manik Mahajan: Sure, sure. Can you hear me now better?

Mahendra Nahata: Yes.

Manik Mahajan: Okay. So, I was saying that with respect to your comment around the margins, you mentioned that the margin on the telecom business would be sustainable at 30%. So, when I think about the overall guidance of 20%, is there any seasonality we need to take in account because this quarter, you've already done about 23% of EBITDA margins?

Mahendra Nahata: Your voice is a bit echoing. Just let me give me a moment.

Manik Mahajan: Let me try to...

Mahendra Nahata: His voice is a lot of echo. So, it doesn't come out...

Manik Mahajan: Is it better? Is it better now?

Mahendra Nahata: Yes. Say that again now. Yes, Mr. Manik, go ahead.

Moderator: Manik, you're not audible.

Mahendra Nahata: Your voice is echoing, so that your voice is particular kind of echo. So it's not -- yes, try again.

Manik Mahajan: Okay. So, I'm saying that with respect to the margins, if you can share whether we should expect some seasonality from a quarter perspective because you've already done 23% and you're guiding for 20% for the full year?

Amit Agarwal: Asking that will there be any seasonality in telecom margin or is it sustainable?

Mahendra Nahata: So, you are saying that is there any seasonality in telecom margin or is it sustainable? Is that the question?

Manik Mahajan: Yes, because your full year guidance is 20%. And this quarter, you have already done 23%...

Mahendra Nahata: Yes, yes.

Manik Mahajan: So, I'm trying to understand why is the full year guidance lower than the quarterly guidance?

Mahendra Nahata: I understand. Look, there's no seasonality. The reason being, as I said in one of the previous questions answered, that this 23% margin is out of the normal average contracts which we are executing and which we would be executing throughout the year. These are the average contracts which more or less would remain same throughout the year.

So, there is no seasonality at all. Seasonality is not there. So this 23% margin is something minimum we would be able to protect to the best of my information at this point of time out of the orders I have, raw material cost I have.

But if there is some geopolitical situation happens and something changes, which is not in my control or your control, some people close Suez Canal and deliveries become delayed and any such thing happens, which I cannot control, I cannot say. But whatever in control of a business is, this will be having no problem.

Manik Mahajan: Got it. That's helpful. And just one more follow-up from with respect to the greenfield preform project, how does that alter the company's overall return profile and -- or the margin profile?

Mahendra Nahata: Look, the preform project would mean -- I think you asked about the preform isn't it?

Manik Mahajan: Yes, that's right. Yes, that's right.

Mahendra Nahata: The preform project is designed for the 2 perspectives. One, bring in more sustainability in the raw material supply chain because we would need a lot of preform and that lot of preform, some parts should we be able to manufacture. So that is one part of it, that it would bring in more sustainability in the supply chain.

Number two, the make versus buy analysis when you make. Make is at least, I would say, 30% cheaper, at least 30% cheaper as of today. Now situation might change 5 years down the road, I don't know. But as on today, make is 30% cheaper than buy. So raw material costs would go down for preform to that percentage.

In the fiber, 70% cost is preform. So, 65% to 70%, you would say. So, fiber costs would go down by 18% to 20%. But when you go to cable, then cable fiber constitutes about 60%. So total -- of the total cost, roughly about 45% is you would say, is preform. So total, there would be 10% saving in raw material cost, something like 10%, 12%.

Moderator: The next question comes from the line of Nikhil Purohit with Fident Asset Management.

Nikhil Purohit: Congrats on another great set of numbers. Sir, firstly, we had some unbilled revenues at the end of quarter 4 FY26 and expected this to be billed in quarter 1. What is the update on this?

V.R. Jain: So it has been billed. It stands billed. The major amount of INR300 crores, which has been billed.

Nikhil Purohit: Okay. Great. We had also said that the INR1.1 billion order that we got from a hyperscaler would only start execution from the end of quarter 1 FY27. My question is, do we expect to sustain this kind of revenue of INR1,900 crores that we've seen in this quarter in the coming quarters? Because H2 is generally a stronger half or is it possible to see a quarter-on-quarter decline?

Mahendra Nahata: No, there is not going to be quarter-on-quarter decline. 5% or 10% here and there, it's very difficult to predict. But generally, we should be able to maintain roughly about this kind of revenue. And profitability, I would say, also not decline. Profitability would also be remaining to the best of my estimate around -- we will not be inferior than this. Better, how much, I cannot say. We'll not be inferior to this, in my opinion.

Moderator: The next question comes from the line of Khushi Soni with Nuvama Institutional Equities.

Khushi Soni: Congratulations on a great set of numbers. My question was regarding the order book that we currently have. Could you throw some light on how much of this pertains to the defence part and how much would be from the optical fiber cables?

Mahendra Nahata: Look, optical fiber cable is roughly about INR16,000 crores. Defence part, including the acquisition, which we have proposed, if I take that into account, then it would be roughly about and which is not included in this INR2,6000 crores, but I would take it as my order because that acquisition is already final stage of completion.

If I take that into account, then the order book would be something like INR2,300 crores or so. Without that, it would be about something like INR300 crores or so. But one should take that into account because that acquisition is almost done.

Khushi Soni: All right. So out of this INR2,6000 crores, if I understand correctly, currently, only INR300 crores of defence order is included. Additional acquisition is over and above that?

Mahendra Nahata: INR26,000 crores.

Khushi Soni: INR26,000 crores. All right. And if you could help me with what kind of revenue breakup in the telecom segment do we see with OFC and the data center solutions that HFCL has been providing?

Mahendra Nahata: Look, the data center solution business, Khushi, we have started this year only. This is the first year of data center business. And first year, I think Q1 would have been about INR100 crores or so, I think, something like INR100 crores, maybe a little bit here and there. But the full year, we are looking at INR800 crores number, roughly about INR800 crores number. This is the first year of data center connectivity business.

But as I said a little while ago, I'm increasing this capacity by 5x. 5x. So, I don't want to multiply this INR800 crores number by 5x for that. But there is going to be significant increase in data center revenue in time to come. This is the first year of data center connectivity business. You must understand that. So -- but still, we are going to get about INR800 crores of revenue from that business. We already have almost INR850 crores plus orders in our hand, and we are receiving more orders for that. So capacity is being expanded by 5x.

Khushi Soni: All right. Just one last clarification...

Moderator: Sorry to interrupt, Khushi, I would request you to rejoin the queue. The next question comes from the line of Jigar Jani with Nuvama PCG Research.

Jigar Jani: Congratulations, sir, on a great set of numbers. I had 2 questions. First was on your segmental assets. I could see about INR1,000 crores increase on the telecom side of products on the asset side. So, what is this capitalization related to compared to Q4 FY26?

Mahendra Nahata: Just a second.

V.R. Jain: So, it is aligned with whatever main capex we are doing or the incremental revenue we are having. So, the asset increase...

Mahendra Nahata: No, fixed asset base or?

V.R. Jain: Not fixed asset base. The overall...

Mahendra Nahata: You are talking current asset plus fixed asset or only fixed asset?

V.R. Jain: Overall assets, he's talking about.

Jigar Jani: No. So, the segmental assets that you disclosed, which is telecom products, defence products, so that has gone from about INR3,978 crores in Q4 to about INR5,000 crores. So there is a INR1,000 crores addition. I believe our capex would be still to come online, the expansion or part of it is online already, the fiber cable expansion?

Mahendra Nahata: The fiber cable expansion is already happening. A preform has not yet started. The fiber and cable expansion is already happening. But just let me see the number. Let me...

V.R. Jain: So, it includes all the assets, whatever capex we are incurring or the receivable side, the inventory side because everything is being built on the incremental revenue now. And keeping in view the revenue, I mean progress month-on-month basis. It includes a mix of all these things…

Mahendra Nahata: Fixed assets plus working capital. So it is all put together, not only...

V.R. Jain: Okay. It's receivables also which might have gone up, basically.

Mahendra Nahata: Inventory, receivables, fixed assets, it's a mixture of all.

Jigar Jani: Okay. Understood, sir. And sir, secondly, on the EPC project, you had guided that we will be profitable this year…

Mahendra Nahata: One second, sir. One second.

V.R. Jain: The net increase is just INR400 crores. You see that as the segment liabilities also of telecom products, that has increased by INR600 crores roughly. So the net increase in the telecom asset side is just INR400 crores only.

Mahendra Nahata: It's not INR1,000 crores. It's a net increase in INR400 crores.

Jigar Jani: Okay. Understood, sir. And sir, on the EPC side, the profitability we were guiding for profitability in FY27. So is that still on track that for full year FY27 on the EPC side, we will see some profitability this year or breakeven?

Mahendra Nahata: EPC side, one of the major downside was this Army warranty period where we were supporting Army network without getting anything, which we expect to be signed in the Q2, which I earlier said and which is on track. It will be signed on Q2. And post signing of that, revenue from EPC would increase and loss would significantly come down. I don't say that there will not be any loss. There may be some, but it may not be also. It's very right now too early to predict, but it will significantly come down, no doubt about that.

Moderator: The next question comes from the line of Tej Patel with Niveshaay.

Tej Patel: Congratulations on a very good set of numbers. Sir, my question is again related to margins. I understand, sir, probably at least for the, let's say, the upcoming 6 months up till December, we're probably able to maintain these margins.

My question is, let's say, once our preform cost revises at the start of the next calendar year, how would be able to maintain the current margins given, let's say, our older contracts were at a very lower price, maybe, let's say, lower than the current market price of the preforms. But once this preform contract revises to a newer price, how would be able to maintain margins after Q3 of this year?

Mahendra Nahata: Look, some preform contracts are long term, which are going to be surviving beyond this financial year and maybe almost towards the end of this coming financial, almost. So -- and we have taken adequate steps to not to let preform price for the most of our quantity to increase any significantly because we will be manufacturing our own preforms also.

So impact would not be any serious impact on the profitability. There may be a couple of percentage here and there, and that will be offset by the increase in the prices from the customers because the kind of demand we have, I don't find any reason why the customer price will not increase.

And then number two, connectivity solutions, where the profitability margins are a little better because of it has got much more value addition from the cable, then you cut it, connectorize it and then ship it. So all that would be balancing each other. Overall margin profile would still remain the same.

Tej Patel: Understood. But then, sir, if you could help quantify some, when you say some, what part of contract or how much of the contract is extended to the next financial year as well?

Mahendra Nahata: Well, I will not be able to go in that much of detail. These are some NDAs and company confidential. But yes, as I said, margin profile will not go down because better price realization from the customers, better value-added products and quite a significant part of preform price not increasing.

And whatever increase is there will be offset by the more value-added products and better price realization. So overall margin would not be impacted. That is what I'm emphatically telling you.

Moderator: The next question comes from the line of Tushar Dhonde with Shanghvi Family Office.

Tushar Dhonde: First of all, congratulations, sir, on a good delivery in this quarter. My first question was regarding the hyperscaler contract that we have. Is it regarding the supply of optical fiber cable, a; or data center interconnectivity products as well; or a mix of both?

And if it is regarding only optical fiber cable, do we see any complementary demand coming for the data center interconnectivity products as well for the same contract? And has the execution of the contract started, as you said, it might start from the end of 1Q FY27 in the last call?

Mahendra Nahata: Look, we have both orders, but separate orders for cable and separate orders for data center connectivity solution. A single order does not have both, but different orders. But different orders from different customers are there, which are cable and data center connectivity solutions both. And more data center connectivity solution orders as well as cable orders are expected from different hyperscalers, not one, but different hyperscalers. We are negotiating with a number of them.

And maybe under month's time or maybe less than that, we may have more orders coming up. So it is for both, to answer your question. And the delivery for both data center cable is going to start probably from now. Yes, this month, it should start and connectivity may be a month later.

Tushar Dhonde: Okay, okay. And my next question was regarding the defence revenue aspiration that I guess in the opening remarks, you said we would be doing INR500 crores of revenue in this particular year. Is that correct?

Mahendra Nahata: Sir, wait, just a second. I was answering your question and you started in between. Data center, you asked a particular contract that I said, yes, we'll start a particular kind of a miniature solution, which we call it, MMC from the next month or so. But otherwise, MPO cables and all that, that delivery has already commenced. That is already on. That's what we said. We made about INR100 crores revenue in the first quarter and overall year revenue, we expect around INR800 crores. So yes, next question.

Tushar Dhonde: Yes. My next question was regarding the defence vertical. In the opening comments, you mentioned that we would be doing INR500 crores of revenue in the defence vertical. Did I heard that right?

Mahendra Nahata: Yes, you heard it right. Absolutely right.

Tushar Dhonde: Yes, yes. So is it including the acquisition that you would be doing or...

Mahendra Nahata: Yes, yes. You are right. Absolutely right.

Tushar Dhonde: Okay. And when do we expect the acquisition to be complete?

Mahendra Nahata: Within this calendar year, within this calendar year. Calendar year…

Tushar Dhonde: So, can we expect the consolidation to happen from the 4Q of FY26?

Mahendra Nahata: Yes, yes.

Moderator: The next question comes from the line of Rishubh Vasa with Indsec Securities.

Rishubh Vasa: First of all, congratulations on a good set of results. My question is basically on the data center connectivity total addressable market. So basically, you are targeting -- what is the target when it comes to the new MMC and the SNMT facility? You have stated that 2.7 lakh assemblies per annum. And what kind of global spend on this product category are you underwriting? What share do you expect to capture?

And another question is on the concentration of the private book order book, which is around INR16,000 crores. And what is the expected timeline for the entire INR26,000 crores book order book? How many like years will be taking in order to complete this order? Like what is the schedule for FY27? Yes.

Mahendra Nahata: This INR26,000 crores orders, there are various orders of various kinds. There are fiber optic cable orders, which are 5-year contracts. There are BharatNet kind of contracts, these are 3-year contracts. So, O&M contracts are 7-year contracts. So you have different but out of INR26,000 crores, I would say INR22,000 crores or so would be within 5-year period, within 5-year period.

Rishubh Vasa: Yes, that is asked by other participants...

Mahendra Nahata: Yes. So, we should be INR22,000 crores plus would be within 5 years period. So it would all be executed within 5 years, but more orders are always being received. As we execute, we receive more orders. And that is how INR26,000 crores is an all-time high order book for us. It's all-time high order book. This quarter has been all-time high order, all-time high EBITDA, all-time high revenue, all-time high PBT, all-time high PAT.

So this is what I would like to mention again. So and so INR16,000 crores, which you mentioned just now, INR16,000 crores you just mentioned just now, there is an order for fiber optic cable. And it again varies from 3 months to 4 years kind of a contract. So it will be executed accordingly.

Moderator: The next question comes from the line of Satya, an Individual Investor.

Satya: Congratulations on the all-time best quarter and thank you so much for a great performance. I had a couple of questions. One is on the spot price of the optic fiber cable side. How is the trend generally? I know overall, it has been we are getting very high prices, but still that momentum is continuing. Are we still getting great and better prices on the spot side? Are they falling or you are seeing the growth continue?

Mahendra Nahata: No, spot prices are not falling at this moment. Spot prices could be a little better. But remember one thing, there's nothing called spot. There's no fiber optic cable which is standard fiber optic cable. It is always made to specs. Everybody needs a different kind of a spec, most of them.

So any spot would also be 4 to 6 months. But anyway, such kind of spot prices would have some better pricing, some 5%, 10%, 15%, depending upon buyer, would have a better pricing than a 5-year contract, 15%, 20% better.

Satya: Right. Got it. Sir, second question on the capacity side, the capacity expansion that we have been doing. What is the status of the IBR optic fiber cable capacity? And what is the timeline status of that? And secondly, sir, we are developing the high-density fiber cables. Where are we on that? What are the timelines on that? Just wanted to get a sense of those?

Mahendra Nahata: No, as far as IBR is concerned, we already have capacity of roughly about more than about 14 million fiber kilometers as much as I remember. 12 machines are there, 14 million fiber kilometers and which is being expanded every month. Every month expansion is happening.

So, this expansion is every month business. So this capacity will keep on increasing. As far as -- what was your second question?

Satya: Density fiber cables, I know we had 9,000 and 14,000, those numbers we are developing those cables. Where are we on the timelines for that? When do we expect them to commercialize?

Mahendra Nahata: No, no. What do you mean by density commercialization? 3,000...

Satya: Sir, we had the 7,000 fibers in a cable...

Mahendra Nahata: Already we are selling for U.S. market, approval is under process. And some other markets, we have started selling.

Satya: Right. And sir, what about 14,000? Under development...

Mahendra Nahata: Under development, it will take another 2 to 3 months.

Moderator: The next question comes from the line of Darshil Jhaveri with Crown Capital.

Darshil Jhaveri: Firstly, congratulations on a great set of results. I think great is also an understatement for your results this quarter, sir. Hope that this continues. Sir, just wanted to understand like from the debt side perspective, how do we see that increasing with such a high level of growth we are doing? So, can you comment a bit on the level of debt you want, the working capital cycle, sir? How would that be, sir?

Mahendra Nahata: The debt equity ratio is very reasonable at the moment, it's 0.3. So 0.3 is there cannot be any more comfortable debt equity ratio than that. And it is likely to remain in this range only. It's not going to increase further than that. So, 0.3. Yes.

Darshil Jhaveri: No, just that because we'll be doing a lot of capex, right? So, in terms of cash flow generation, how should we look at it?

Mahendra Nahata: There will be internal generation also. And part of that will be kept on being paid as well because every month, we are paying. So finally, the ratio would remain around 0.3 only.

Darshil Jhaveri: Okay. So, the ratio will remain around 0.3, right, sir. And sir, just wanted to understand like due to monsoons, is Q2 a quarter that can have slight decline or how do we just see, that, sir, as Q2?

Mahendra Nahata: The total revenue, most of the revenue is coming from fiber optic cable and that too from exports. In exports, U.S. doesn't have monsoon. So don't worry.

Darshil Jhaveri: Okay. Okay, sir. So, quarter-on-quarter, we can see the same run rate going on, sir?

Mahendra Nahata: More or less. 10% here and there, I would not say anything on. But more or less same. And as I said in the beginning of my statement, that earlier, we had talked about 20% growth in revenue in the whole year. Now we are saying that compared to last year, we are, to the best of our knowledge and estimate, we are saying that the growth would be 40%, not 20%.

Moderator: The next question comes from the line of Dhruv Bajaj with GrowthSphere Ventures.

Dhruv Bajaj: Congratulations on an amazing set of results, especially on the optical fiber cable sir. I think we are exceeding the expectations that everyone has set up for our business. But sir, I had some questions regarding the defence fees, especially the restructuring part. So based on our understanding, so we have transferred the entire defence vertical into HFCL Advanced Systems, correct?

Mahendra Nahata: No, no. It's not the entire ammunition business, Electronic Fuzes, those are still remaining in HFCL and we are not -- how we would restructure the entire business. Our Board is considering that with the consulting from E&Y advising us. We are doing that work at this moment of time, that how to restructure to the best interest of all the shareholders, all the stakeholders and to maintain profitability or increase profitability and revenue both. So, each sector of the business gives better revenue, better profitability. ...

Dhruv Bajaj: Right. Sir, but is it fair to say that the recent acquisitions that we made, like of Defsys final advance and similarly other firms where we are spending all business, where we have some INR1,900 crores of order book, we have transferred that business into HFCL Advanced Systems, right? Ammunition will be a new business for us. I think we have not started the production or any sales for that business.

Mahendra Nahata: That HASPL, which is a subsidiary of HFCL. Actually it is not transfer of business, it is transfer into a subsidiary.

Dhruv Bajaj: Sir, but the question that is coming from my end is like we have diluted a significant extent of the overall -- of that particular defence business. So now HFCL Limited, wherein we as minority shareholders are invested into HFCL Limited, who owns only 51% stake in that business?

Mahendra Nahata: Wait, wait. You are not realizing one thing. We have not diluted. We have acquired business also. Aerospace business, we were not in. We have acquired that business. And with the acquisition of that business, which already has an order book of more than INR2,000 crores and expecting orders of another few thousand crores. So, it's not a dilution. Dilution with acquisition. And any acquisition you do, you have to have some dilution, but you are getting huge amount of business together with that.

Moderator: The next question comes from the line of Pritesh Kotadia with Anant Investments Private Limited.

Pritesh Kotadia: Congrats on an amazing set of numbers. And also would like to thank you for the opportunity you gave for the plant visit, which I came to Hyderabad on 12th of June…

Mahendra Nahata: Did you like that?

Pritesh Kotadia: Yes, it was a very great experience. Yes. Sir, yes. So, my question will be regarding preforms. So we will set up the manufacturing at which plant for the preform manufacturing?

Mahendra Nahata: We are in process of deciding. And within this month, we will decide which exact location. We are considering 2, 3 different locations. And one of the locations, we will decide and will set up.

Pritesh Kotadia: Okay. And what will be the cost, I mean, capex for that?

Mahendra Nahata: Right now, the Board has approved INR580 crores.

Moderator: The next question comes from the line of Ravi Mehta with Oneup.

Ravi Mehta: Just one question was on the telecom product revenue. So, what's the total -- apart from cable and fiber, the product sales that happens, what was that? And how are you seeing that revenue panning out? I believe the data center connectivity piece is within that. So, I just wanted to understand a little bit on that side?

Mahendra Nahata: Data center is part of optical fiber cables. This is unlicensed band radio, routers and Wi-Fi systems. These are the products which are contributing to that particular revenue.

Ravi Mehta: And that is also being clubbed within the telecom product?

Mahendra Nahata: Yes.

Ravi Mehta: So what is that quantum in this quarter? And where do you see that revenue going?

Mahendra Nahata: This revenue in the whole full year, we are looking at INR500 crores to INR600 crores on an overall basis. And it will probably contribute 10% or even less than that of the total revenue.

Ravi Mehta: Okay. And is it margin dilutive or accretive?

Mahendra Nahata: No, it is margin accretive, but not very high margins. The EBITDA margins could be something like 15%, 16%. 15%, I would say 12% to 15%, not 15%. 12% to 15%.

Moderator: The next question comes from the line of Meet Katrodiya with Niveshaay.

Meet Katrodiya: Sir, my question is this quarter, 50% of the revenue was from export, right? So how do you see this mix changing by end of FY27? And within export, can you please provide a breakup that is 100% cables are -- for data center or is there is something that we are also shipping from telecom? And also, sir, if you can throw some light on margin differential between IBR cable and normal flat loose cable as well?

Mahendra Nahata: Last question is something I cannot answer because that's really confidential that how much margin on which kind of cable you get. But as far as your first question of -- I think export revenue, I would rather say should remain around 60% or so and 40% would be for local revenue on an overall basis because the defence revenue mostly would be local.

There will be some revenue from local data centers and telecom for the fiber optic cable. So overall telecom revenue is all local. So overall basis, you should say roughly about 60-40, 65-35, that kind of a range with export being...

Meet Katrodiya: Got it, sir. And sir, one question on preform that you are very much confident on this year margin and also next year as well. So, let's say, if our supplier -- we must be doing a negotiation with our supplier, right? So how much price increase they are asking? And are we also talking similar with our customer to pass on this price? Or I just want to understand why you are so much confident on these margins?

Mahendra Nahata: I'm confident because we have -- some of the contracts are long-term contracts, as I said. Some of the contracts are not so long term, but at the same point of time, there are some -- overall, some increase in the price of preform, they would be compensated by 2 factors: one, better pricing from the customers and also the more value-added products like data center products, which we have created, those are more value-added products, so they have a better profitability, somewhat better profitability. So overall profitability in spite of increasing the preform prices is not going to be impacted, as I've said multiple times, and I am again saying that.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. Investors may connect with Mr. Amit Agarwal, the Head of IR, for any further clarifications. I would now like to hand the conference over to the management of HFCL for the closing remarks.

Mahendra Nahata: Well, ladies and gentlemen, it was really a very nice interaction with all of you, and I really compliment for the very nice questions asked by all of you and patiently hearing my presentation and my answers. I hope I have been able to reply all your queries to your satisfaction.

Still, if you have more queries, you can ask our IR team. I mean it's led by Amit Agarwal. And we will be very glad to answer. If I receive any query, I would be very glad to answer. But yes, gentlemen, as I said in the beginning of my presentation, company is on a good progress path.

We have delivered numbers, which to date in the history of the company, highest in terms of revenue and profitability. And order book all, we have INR26,000 crores order book, which is itself tells you the sustainability of the business of the company.

Fiber optic cable business is on growth path. We are increasing capacities. And we are constantly reviewing the demand and demand -- increased demand may need more increase in capacity, which we would do if required. Data center connectivity business, we have started this year. And this year itself, we would be reaching to about INR800 crores in the revenue.

And we are increasing that capacity of connectivity solutions by 5x, including our subsidiary, HTL. And so it would be a significant part of revenue because it's a value-added product. And to a large extent, it will offset if there is any increase in the raw material prices, if at all, or it may add to profitability.

Margins are not going to decline in the current year, unless there is some geopolitical situation, which is out of my control. For example, if Suez Canal closes or something else happens, which is not in my control. But otherwise, from the company's business perspective, the growth, which -- revenue growth, which we had talked about, 20%, which we are now saying that to the best of our expectations, it will be 40% growth in the revenue.

Profitability, which we said that it will increase by 2%, 3% from the 16% to 17% last year, has already grown to instead of 20%, it has reached to 23%. And we expect this to continue in the next quarters also.

So, ladies and gentlemen, with all your blessings, all your support, company has done well, and we assure you that we will continue to do well. Thank you very much, and we are ready to answer any further queries you have, which you may write by e-mail to our IR Head, Mr. Amit Agarwal. Thank you very much to all of you.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Nuvama Institutional Equities, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.