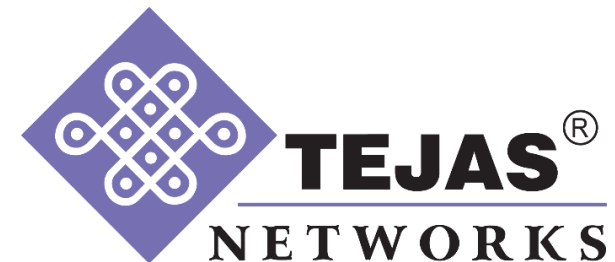




**TEJAS NETWORKS LTD**  
**EARNINGS CALL PRESENTATION**  
**Q2FY20**



# Safe Harbor Statement

*Certain statements in this release concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to successfully implement our strategy and our growth and expansion plans, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, changes in the laws and regulations that apply to the industry in which the Company operates. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company.*

# Q2FY20: Key Updates

- **Financial Update**

- Net Revenues ` 85 cr
- PBT: (` 7.5) cr , PAT: (` 4.4) cr; shortfall in revenues resulted in loss
- Net cash position improved by ` 59 cr to ` 290 cr, due to improved collections (including some amount from BSNL)
- Order book: ` 429 cr

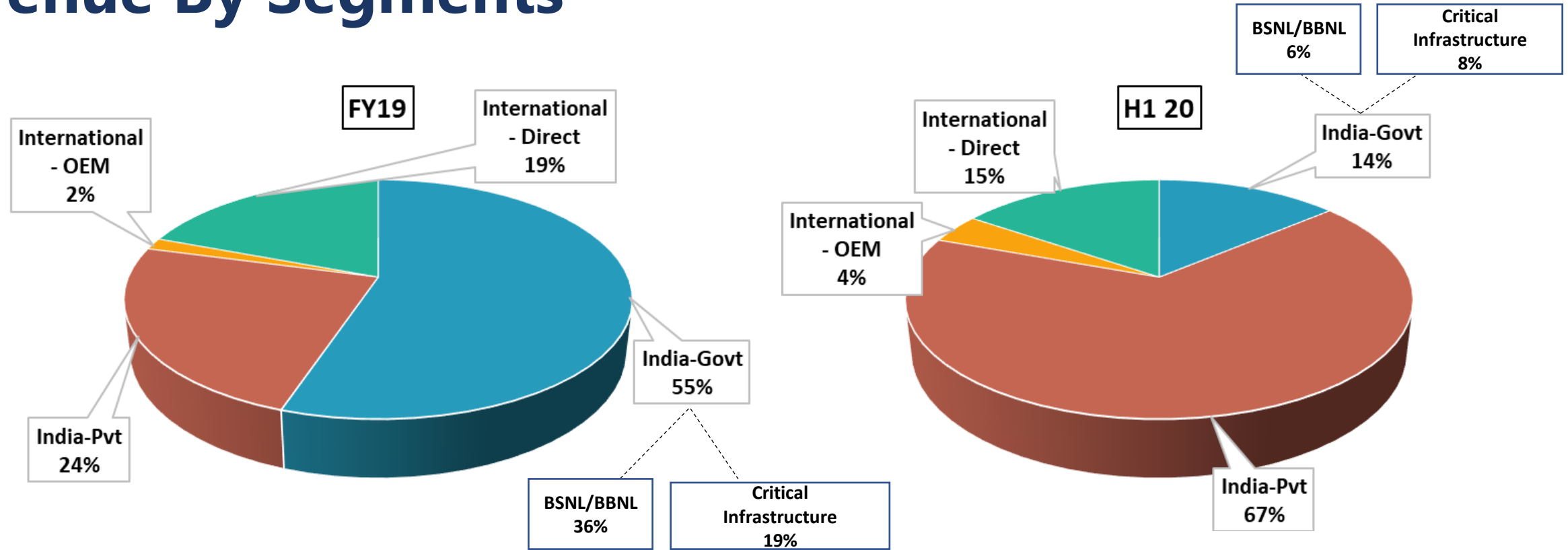
- **Sales Update**

- **Government** business during 1H was weak (YoY decline of 88% for 1H), resulting in significant revenue decline.
  - As anticipated, no new business expected from BSNL for rest of FY. Government critical infrastructure projects will result in strong bookings, but some revenues will slip to next FY.
- **India Private:** Strong YoY growth of 67% for 1H
  - For full FY, we expect YoY growth to be similar to last FY.
- **International:** Strong momentum; we added 5 new international customers in Q2.
  - In addition, we closed techno-commercial discussions on 6 new customer deals (2 in Asia, 3 in Mid-east/Africa, 1 in America), each of which are expected to result in multi-million dollar orders in 2H.
  - Overall we expect international YoY growth to be similar to last FY
- **Run-rate business (India-Private + International) grew 28% YoY for 1H**

- **R&D investments ongoing, to create differentiated products**

- Launched TJ1600S/I: world's largest disaggregated packet optical switch at Indian Mobile Congress, New Delhi
- Our ultra-converged broadband access product (including LTE-based fixed wireless) is getting good customer response
- We are continuing to invest in R&D similar to last FY levels.

# Revenue By Segments



In 1H, (India-Pvt + International) contributed to 86% of total (YoY growth of 28% for 1H). India Govt reduced by 88% in 1H

International expected to show strong growth during 2H and will be a larger proportion of total revenues by end of FY20

**Focus is to increase run-rate business**

# Financial Update

	Amount in ` crore except EPS			
	Q2-FY20	H1-FY20	LTM	FY19
Revenues (Net) <sup>1</sup>	85.1 (YoY -58.0%)	241.7 (YoY -44.4%)	683.7 (YoY -10.0%)	876.7
EBIT	-11.9 (YoY -140%)	-5.2 (YoY -107.0%)	50.2 (YoY -54.1%)	130.3
PBT	-7.5 (YoY -120.5%)	2.7 (YoY -96.9%)	64.7 (YoY -51.8%)	150.0
PAT	-4.4 (YoY -113.1%)	1.5 (YoY -98.1%)	70.2 (YoY -49.0%)	147.2
EPS	-0.47 (YoY -113.0%)	0.16 (YoY -98.1%)	7.65 (YoY -49.6%)	16.13

1. The Revenues (Net) are net of taxes (excise duty/GST) and pass through component sale to our contract manufacturers

# Key Financial Indicators

Amount in ` crore

Particulars	Q1-FY20	Q2-FY20
Cash flow from Operations	(122)	96
Net Worth	1,326	1,316
Inventory	222	258
Trade receivables	726	607
Net working capital <sup>1</sup>	725	647
Borrowings	1	1
Cash and Cash Equivalents	231	290

- Working capital decreased by ` 78 cr, on account of higher collections during the quarter. We further expect to reduce our working capital levels by end of 2H.
- DSO reduced to 277 days from 284 days (as on Jun-19)
  - Excluding BSNL, our DSO reduced to 173 days from 197 days (as on Jun 19)
- Inventory days increased to 118 from 87 days (as on Jun-19), in anticipation of customer orders which got delayed.
  - With increased revenues in 2H, we expect to see reduction in inventory level during 2H.
- We are a practically debt-free company, with cash and cash equivalents (incl. investment in mutual fund) of ` 290 cr
  - Well funded to meet all our growth needs

1. Cash and cash equivalents, investment in liquid mutual funds, Other Bank balances in current assets, and Borrowings in current liabilities are not considered in computation of Net working capital

# Our Medium-term Strategy

1

**Increase international sales** in Africa, S. East Asia and America, to reach 50% of overall revenues

2

**Leverage incumbency in India** increase depth in India-private accounts. Selectively work on high-quality Government business, leveraging Make-in-India policy

3

**Maintain investment in R&D** to ensure our product differentiation & expand our portfolio to increase our addressable market

4

**Focus on financial performance-** cash flows, working capital efficiency and profitable growth

# International Update

- **Update from our Target Geographies**

- South East Asia, South Asia

- Strong pipeline in Malaysia, Vietnam, Bangladesh, Sri Lanka; New win in Hong-Kong

- Africa, Middle East

- Splitting of region into 4 offices is working well, with strong deal funnel in each region

- Techno-commercials closed for multi-million \$ deals in South Africa, West Africa and MENA

- USA, Mexico

- 1H was slow. Expecting strong performance in 2H, based on existing customers and new wins

- **Growth strategy for each region**

- Increase wallet-share from existing customers- get new regions, introduce more products

- Use local references and success stories (application wins) to win new customers

- Focus on winning Tier-1 accounts with multi-country presence and large run-rate opportunities

- Increase investments in marketing and branding

- Increase focus by dividing large regions and hiring more people in sales and pre-sales

- **Financial impact**

- Better gross margins, as compared to India

- Better payment terms, lower DSO

- More run-rate customer, higher stickiness

- Geographical diversification- reduces risk of single-country or customer concentration



# India Update

- **Government Accounts**

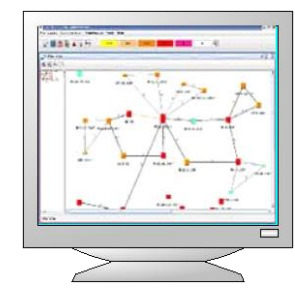
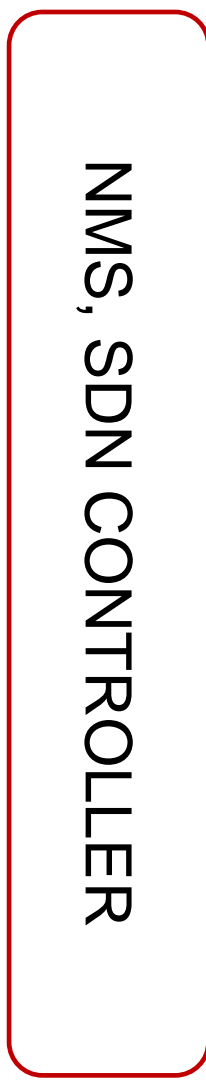
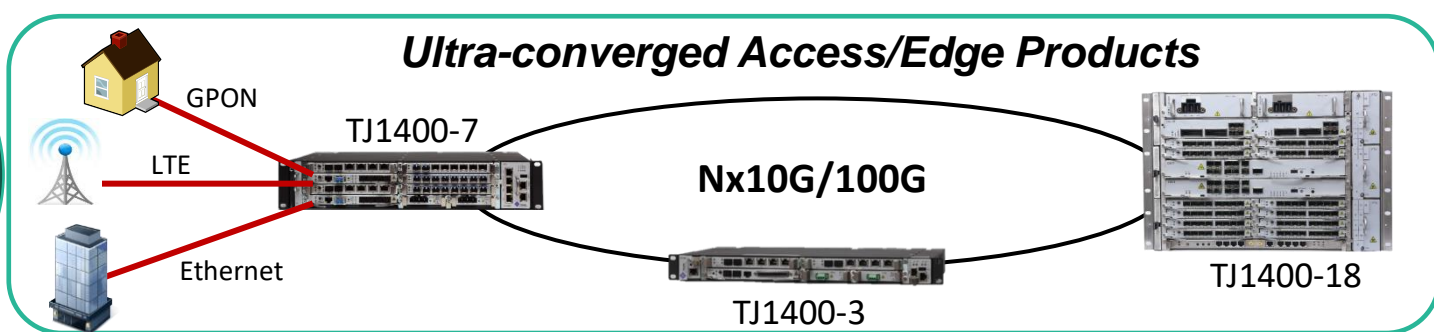
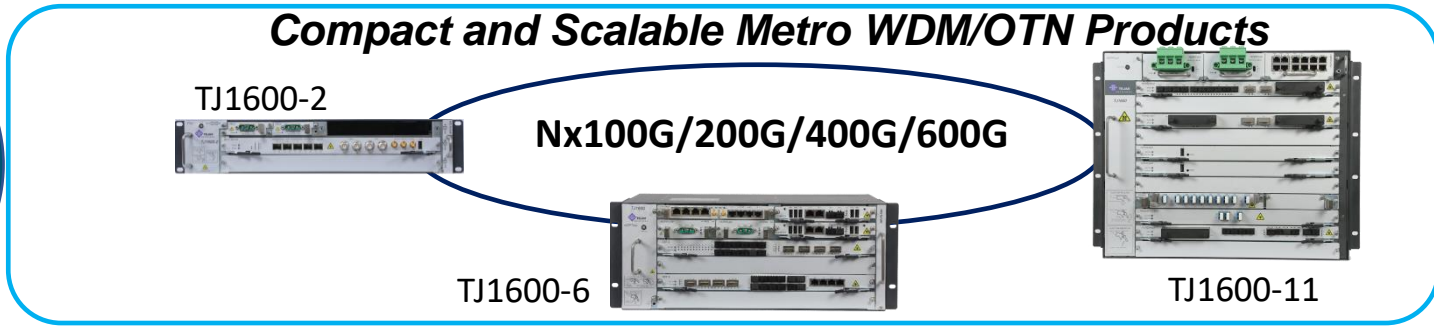
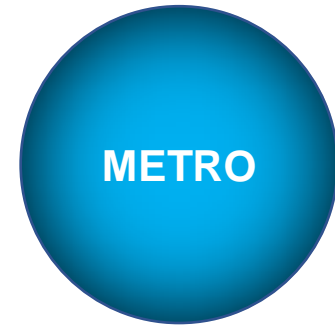
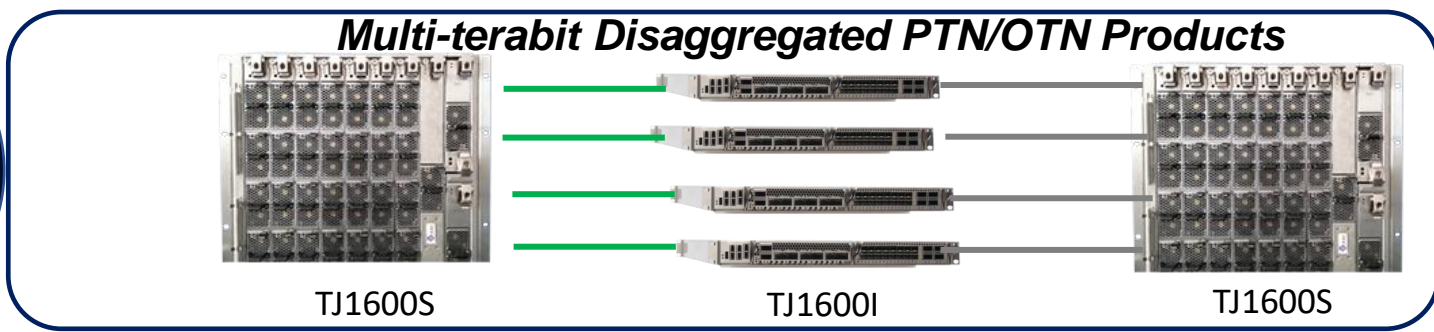
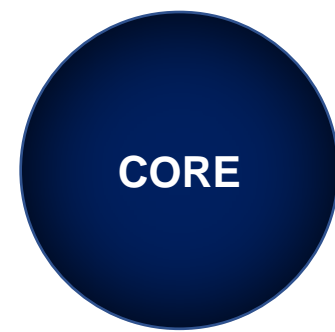
- BSNL/MTNL capex investments on hold, till their financial situation is revived by Government
- New Bharatnet projects (centrally controlled) are currently on hold.
- We are well placed in the 3 state-led fiber projects. We have won the order for Kerala (from BEL), and are well placed in Telangana (where our SI partners have won). Tamil Nadu project is also cleared for tender, but will have revenue impact next FY.
- Critical infrastructure business is healthy. We continue to win new tenders from Railways, Railtel, Metros, Smart cities, Power and Oil & Gas. Our SI partner has also won Army NFS project, for which we expect the orders soon. Expect strong order inflow for this segment, but some revenues from this segment may slip to next FY.
- Governments focus on Make-in-India and intent to build indigenous 5G eco-system will benefit us.

- **Private Accounts**

- Industry consolidation is almost complete. We are incumbent suppliers to all the players
- We expect robust capex investments in fiberization as well as fixed-broadband services to continue
- Our focus is on winning new applications (e.g., FTTX, metro capacity upgrades on OTN/DWDM etc.) to increase our wallet-share

# End-to-End Product Portfolio

Terabits



TejNMS

Megabits

# Tejas TJ1400: Innovation for Network Access/Edge

Fiber  
Broadband  
Access



Enterprise  
Data Services



Fixed  
Wireless  
Access



GPON/  
XGS-PON

Carrier  
Ethernet

LTE  
(4G/5G)



TJ1400



World's 1<sup>st</sup> Ultra Converged  
Broadband Access Platform

Nx10G/100G  
Packet  
Optical  
Transport

Award Winning Product in  
USA, Europe, Asia

# Tejas TJ1600S/I: Innovation for Metro and Core

0.8T

48T

SWITCHING CAPACITY

World's Largest  
Dis-aggregated  
Packet-OTN Switch  
Scalable to 48 Tb

TJ1600S

TJ1600I #1

TJ1600I #12



# TJ1600S/I: Path-breaking Innovation

## APPLICATIONS

- High-capacity Metro and Core
- Hyperscale Datacenter Interconnect
- Multi-terabit National Backbones
- Submarine Bandwidth Distribution

## INNOVATION

- World's Largest Packet-OTN Switch
- New "Backplane-less" Architecture
- Non-blocking Switching Architecture
- Software-defined Hardware™

## BENEFITS

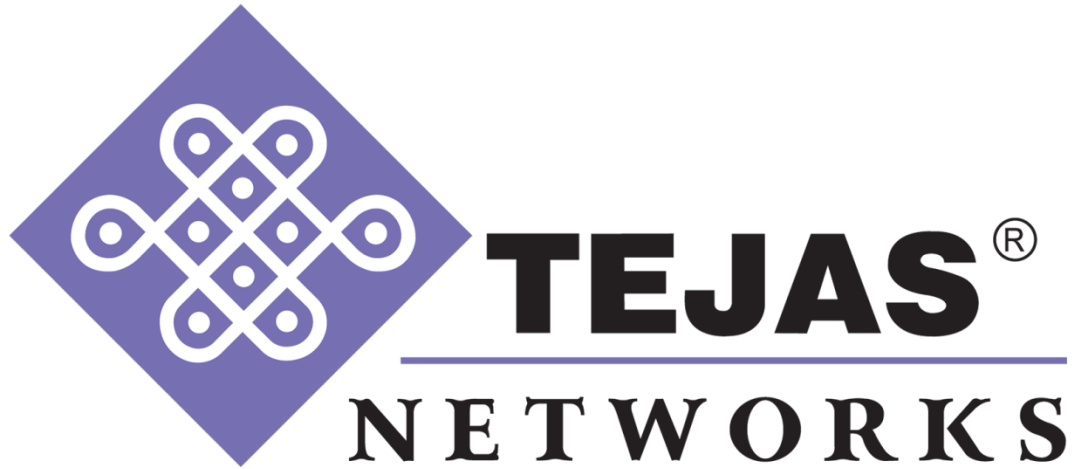
- "Pay as you Grow". 5G Ready
- 30-70% Opex Savings in Shelf Space and Power
- Rapid Introduction of new Silicon/Photonic technologies

## MARKET

- Global market of \$5.8Bn in 2019; \$2.3Bn in addressable markets
- Helps us complete our product line for all optical networking segments

# Key Takeaways

- While fundamental growth drivers continue to be strong, our business is in a transition phase.
- We are reducing dependence on the lumpy Govt. business (which declined 88% in 1H) and focusing on increasing run-rate business (India-Private + International) (which increased 28% in 1H)
- India Private is growing healthily (67% YoY in 1H) and is expected to deliver strong YoY growth.
- International has strong momentum and we expect significant growth during the FY, in line with last FY trend. We are on track to achieve our medium term goal of 50% revenue contribution from international.
- We are managing our operating costs tightly, but continue to make the required R&D & international sales investments, so as to improve our product portfolio and grow our international sales.
- We are a debt-free company and have improved our cash position by 59 Cr to 290 Cr. We are well funded to invest and realize our medium term strategic goals.



Thank you!

## Contact Us:

[ir@tejasnetworks.com](mailto:ir@tejasnetworks.com)

Contact - +91(80)41794600