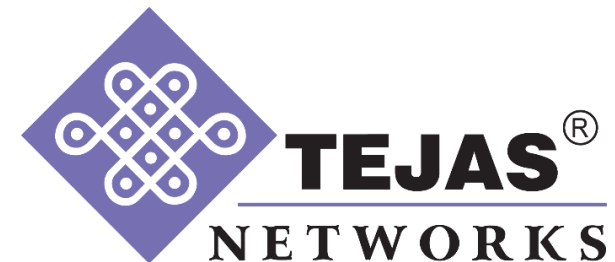




**TEJAS NETWORKS LTD**  
**EARNINGS CALL PRESENTATION**  
**Q3FY20**



# 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.*

# Q3FY20: Key Updates

- **Financial Update**

- Net Revenues ₹85.4 cr
- PBT: (₹14.8) cr, PAT: (₹112.1) cr; revenue shortfall and deferred tax reversal resulted in loss
- Net cash position improved by ₹6 cr to ₹296 cr
- Started collecting old overdue amounts from BSNL for Bharatnet (received ~ ₹41 Cr in Q3, ₹86 Cr in 9M)
- Order book: ₹449 Cr

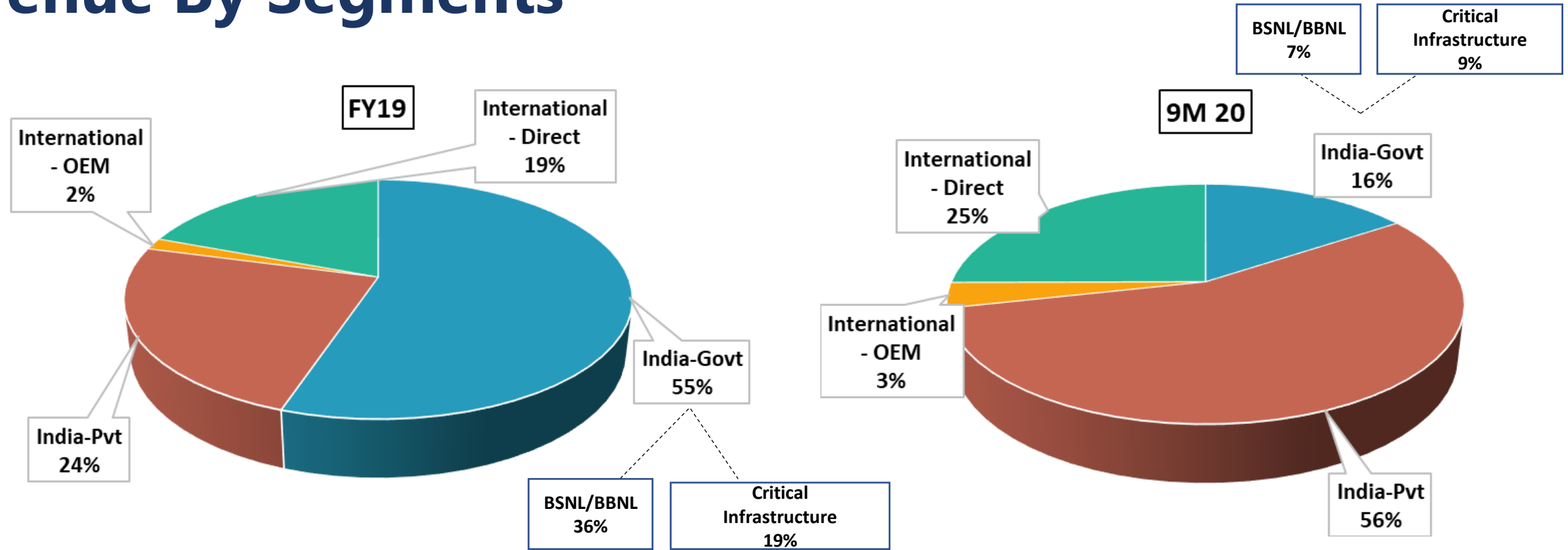
- **Sales Update**

- **Overall YoY revenues expected to decline significantly during the FY**
- **India Government** business for 9M was weak (YoY decline of 86%), resulting in significant revenue decline.
  - BSNL/Bharatnet showed YoY decline of 91%
  - Critical infrastructure showed YoY decline of 73%, due to delayed project execution by Govt customers
- **Run-rate business (India-Private + International) grew 10% YoY for 9M**
  - **India Private:** 32% Y-o-Y growth for 9M. Expect weak Q4, but will still see YoY growth
  - **International:** Strong momentum; we added 5 new international customers in Q3.
    - While 9M revenues show YoY decline of 17%, we expect a strong Q4 and will deliver YoY growth for FY
    - Continued to strengthen international sales leadership. Hired Vice President Sales for Africa, based in Johannesburg. Hired CTO for US Business

- **Recognition/Awards:**

- Tejas TJ1400UCB recognized as Top-3 global wireline innovation by reputed U.S telecom publication

# Revenue By Segments



India-Pvt + International contributed to 84% of total (YoY growth of 10% for 9M)

International expected to show strong growth during Q4 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 |                      |                     |       |
|-----------------------------|------------------------------|----------------------|---------------------|-------|
|                             | Q3-FY20                      | 9M-FY20              | LTM                 | FY19  |
| Revenues (Net) <sup>1</sup> | 85.4 (YoY -51.5%)            | 327.1 (YoY -46.5%)   | 593.0 (YoY -16.4%)  | 876.7 |
| EBIT                        | -20.3 (YoY -200.6%)          | -25.5 (YoY -126.8%)  | 9.8 (YoY -89.6%)    | 130.3 |
| PBT                         | -14.8 (YoY -159.3%)          | -12.0 (YoY -110.7%)  | 25.0 (YoY -79.2%)   | 150.0 |
| PAT <sup>2</sup>            | -112.1 (YoY -441.2%)         | -110.6 (YoY -199.3%) | -74.7 (YoY -153.2%) | 147.2 |
| EPS                         | -12.16 (YoY -438.6%)         | -12.02 (YoY -198.5%) | -8.13 (YoY -152.7%) | 16.13 |

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

2. There was a reversal of deferred tax asset of ₹99 Cr on account of reduced profitability outlook.

# Key Financial Indicators

Amount in ₹crore

| Particulars                      | Q2-FY20 | Q3-FY20 |
|----------------------------------|---------|---------|
| Cash flow from Operations        | 96      | 28      |
| Net Worth                        | 1,316   | 1,207   |
| Inventory                        | 258     | 245     |
| Trade receivables                | 607     | 504     |
| Net working capital <sup>1</sup> | 647     | 636     |
| Borrowings                       | 1       | 1       |
| Cash and Cash Equivalents        | 290     | 296     |

- Working capital decreased by ₹11 Cr, on account of higher collections during the quarter. We further expect to reduce our working capital levels by Q4.
- DSO reduced to 268 days from 277 days (as on Sep-19)
  - Excluding BSNL, our DSO reduced to 170 days from 174 days (as on Sep 19)
- While inventory levels reduced, inventory days increased to 130 from 118 days (as on Sep-19)
  - With increased revenues in Q4, we expect to see reduction in inventory level during Q4.
- We are a practically debt-free company, with cash and cash equivalents (incl. investment in mutual fund) of ₹296 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*

# International Update

- **Africa, Middle East: Expect strong YoY growth**
  - Increasing focus and investments by splitting the region
    - Hired strong local Sales Leader based in Johannesburg for South, West and East Africa
    - Mid-east and North Africa made into a separate region with independent leadership
  - Strong growth momentum and we see increase in \$1M+ per year run-rate customers
  - Expect to close multiple large deals in Q4
  - Growing our market share in multi-country Tier-1 operators
  - Market growing steadily due to increased broadband penetration and build-outs for web-scale companies
- **South East Asia, South Asia**
  - New Tier-1 customer win with a global operator from Hong Kong
  - Strong pipeline of repeat orders from existing customers in Malaysia
  - Expect new customer wins in Vietnam and Bangladesh in Q4
- **North America**
  - US
    - Continuing to invest in US. Hired a CTO for US in Q3 to support Head-Sales (who had joined in Q2)
    - US deals taking longer than expected to convert. 9M revenues were weak. Expect to see better results next FY.
    - Our current focus is on Tier-2 and Tier-3 operators
  - Mexico
    - Well established sales and support team with customer success in almost all major operators
    - Revenues for 9M were behind plan but expect recovery in Q4, based on business from existing run-rate customers.

# India Update

- **Government Accounts**

- Marginal business from BSNL/Bharatnet (central) during the current FY
- Critical infrastructure business: winning new orders but revenues getting pushed out
  - We continue to win new business from Railways, Metros, Smart cities, Power and Oil & Gas.
  - Orders from our SI partner for Army NFS project expected soon; revenue impact next FY
  - Delays from customer in executing existing orders leading to revenue deferment
- We are well placed to get orders from the state-led fiber projects that have been awarded
  - We have won the order for Kerala from BEL. Our SI partners have received PO in Telangana (T-Fiber)
- Government reiterated its commitment to Digital India & Make in India
  - Government continues to reiterate its focus on Make-in-India to build a domestic eco-system
  - National Broadband Mission to connect 600,000 villages with high-speed Internet over 3-4 years
  - Increase OFC route length from 22 to 50 lakh km; fiberized towers to grow from 30% to 70%
- BSNL/MTNL revival plan on track; Network expansion and capex for 4G expected next FY

- **Private Accounts**

- Financial stress on operators has impacted capex adversely
- While we are incumbent suppliers to all the operators, we are focusing on winning new applications (e.g., FTTX, metro capacity upgrades on OTN/DWDM etc.) to increase our wallet-share
- Expect capex growth for this segment to start next FY



# 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** and increase depth in India-private accounts with new application wins. 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

# Macro Drivers of our Business Remain Robust



## FIXED BROADBAND

Growth in residential broadband on optical fiber (FTTX) and broadband wireless (WTTX)



## 4G, 5G & IOT

Network densification and fiberization are driving growth in Metro Networks



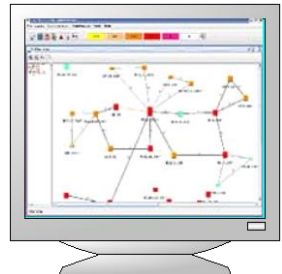
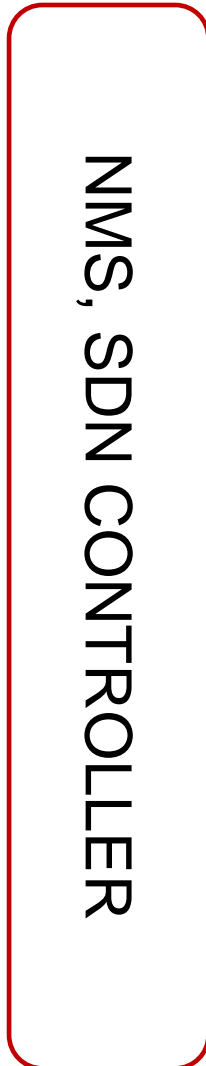
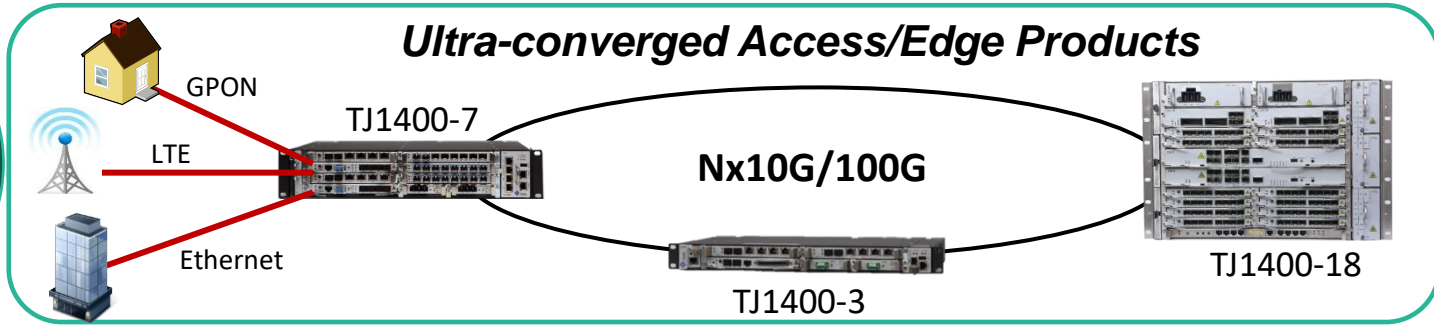
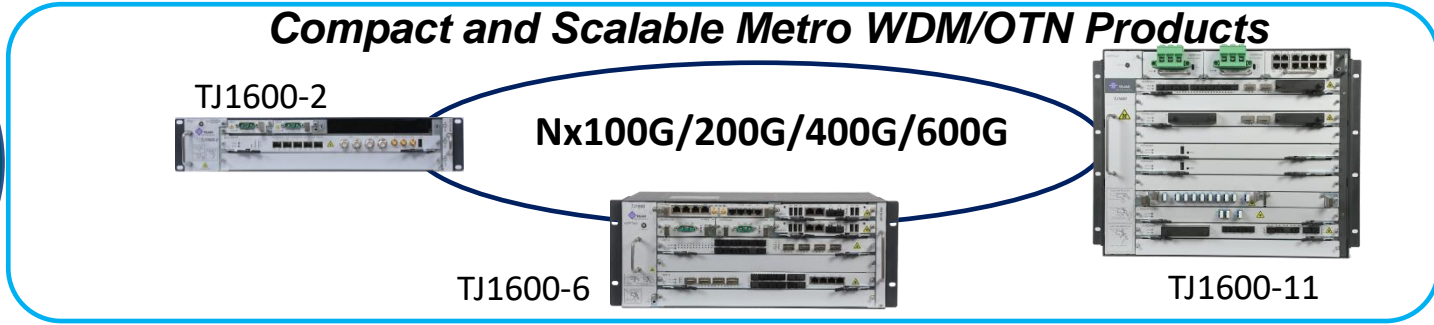
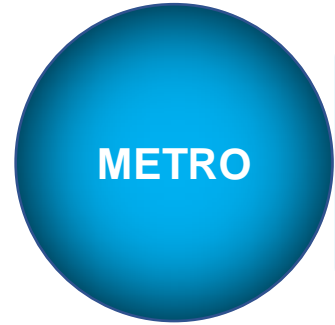
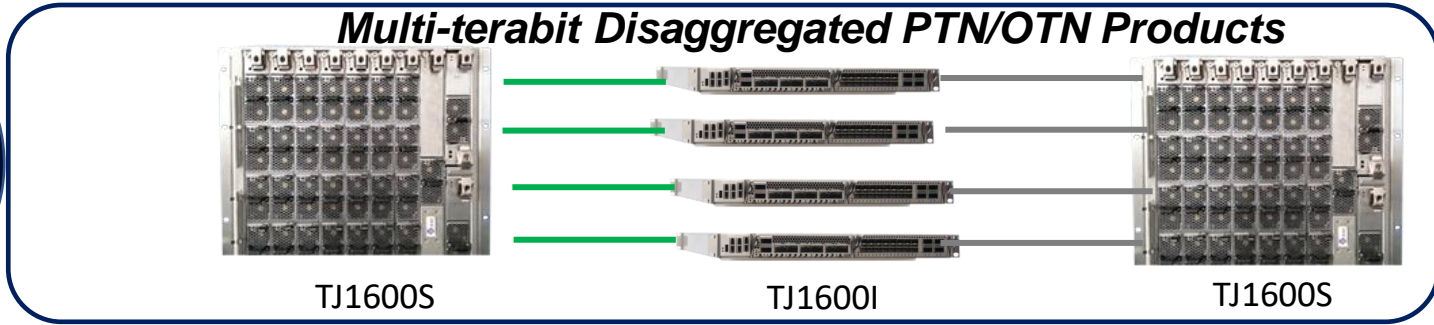
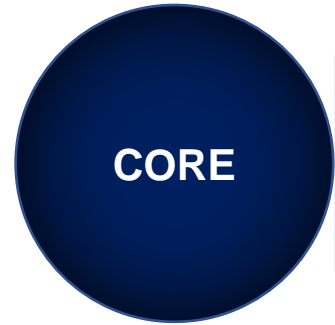
## CLOUD, DATA CENTER

Demand for massively scalable DWDM networks with multi-terabit switching

Exponential Increase in Data Traffic on Networks : 2.5 ZB/year in 2019 → 4.8 ZB/year in 2022

# Tejas Products: Addressing High-Growth Segments

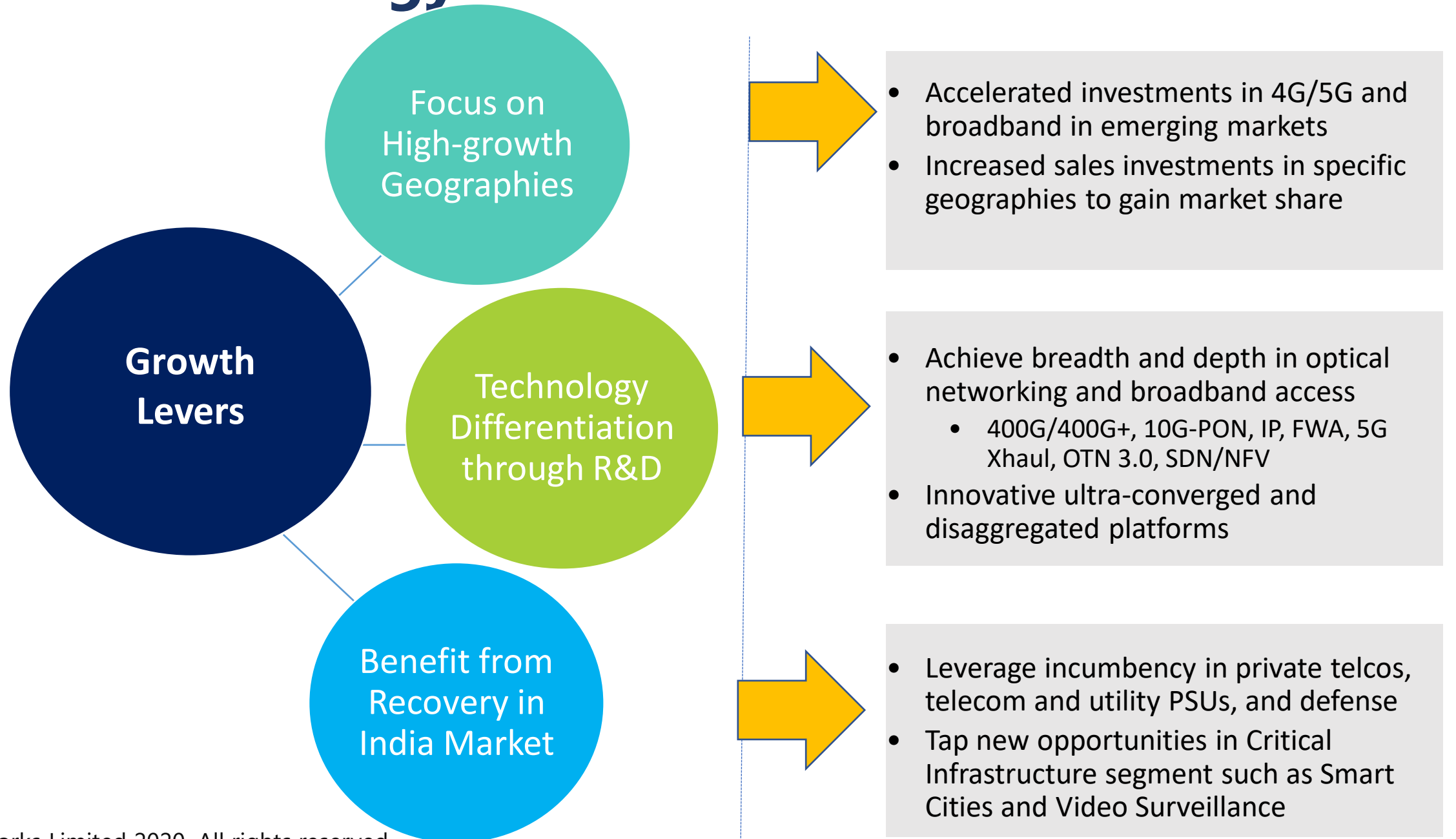
Terabits



TejNMS

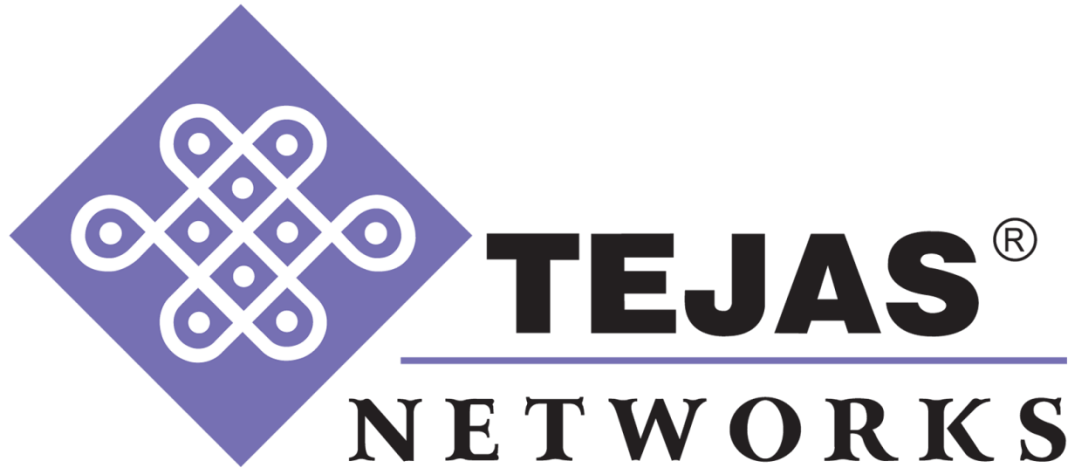
Megabits

# Our Growth Strategy



# Key Takeaways

- Due to sharp decline in our India business, we expect significant decline in our overall revenues on YoY basis during FY20 and we may not be profitable
  - Unprecedented turbulence and financial stress in the Indian telecom sector has impacted us adversely
  - India Government business (which was 55% of total last FY) has seen a 86% decline in 9M. For India Private business, we expect moderate YoY growth in FY20
- Strong momentum in our international business; expect healthy YoY growth in FY20
  - As a part of our business transition, we are increasing our international focus to reduce dependence on the India business.
  - We are on track to achieve our goal of international as 50% of total revenues in medium term
- Macro drivers of our business continue to be robust
  - Strong growth in data usage, broadband, cloud, data center and fiberization are driving optical investments
- We continue to invest in R&D to expand our addressable market and increase competitiveness
  - We are getting international customer success and global recognition for our products
- Our cash position improved to ₹296 Cr and we are well-funded to realize our medium term growth goals.
  - We expect to see further improvement in our cash position by end of Q4.
  - We have started receiving long overdue payments from BSNL/Bharatnet



Thank you!

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