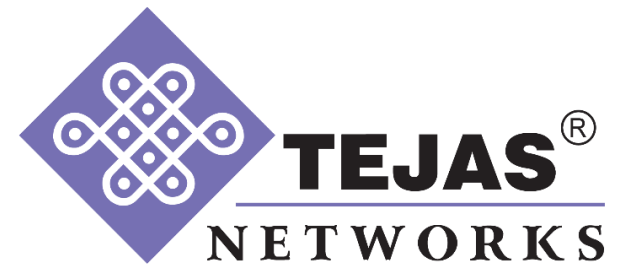




TEJAS NETWORKS LTD
EARNINGS CALL PRESENTATION

Apr 23, 2019



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.

FY19: Key Highlights

• Healthy Financial Performance

- Y-o-Y net revenues grew by 18.5% and PBT by 41.5%
- Non-government business (India Pvt + International) grew by 33% YoY
- Opening backlog for FY20 is Rs. 418 Cr and in addition we have tender wins in India for Rs 300+ Cr, which are expected to convert to orders in FY20
- Announced maiden dividend of Re 1/- per share

• International Success

- International direct business grew 70 % YoY (overall international grew by 39%)
- 27 new International customers added; 6 Tier-1 service providers

• Technology Leadership

- Continued to make significant investments in R&D: 13% of revenues on gross basis (YoY increase of 33%)
- Global finalists for prestigious international awards
 - TJ1400-OLT (GPON) at Broadband World Forum (Germany)
 - TJ1400-UCB (Ultra Converged Broadband) at Leading Lights awards (USA)
- Launched world's first ultra-converged broadband access/edge product at Mobile World Congress (MWC) Barcelona
- Strong IPR portfolio with 349 patents applied

• Augmented Board of Directors

- Mr. C.B. Bhave joined as Independent Director
- Mr. Arnob Roy, Chief Operating Officer, joined the Board



Financial Update

	Q4 2019	FY 2019
Revenues (Net) ¹	265.8 Cr (YoY 169.3%)	876.7 Cr (YoY 18.5%)
EBIT ²	35.3 Cr (NA)	130.3 Cr (YoY 42.3%)
PBT	37.1 Cr (YoY 399.7%)	150.0 Cr (YoY 41.5%)
PAT	35.9 Cr (YoY 23.5%)	147.2 Cr (YoY 38.2%)

1. The reported revenue for FY 18 were inclusive of excise duty (for Q1). Hence FY 19 revenue is not comparable on a YoY basis
The Revenues (Net) are net of taxes (excise duty/GST) and pass through component sale to our contract manufacturers
2. EBIT for comparative period (Q4 18) was negative

Key Financial Indicators

Amount in ₹ crore

Particulars	FY 18	FY 19	Variance
Revenue from operations ¹	767	900	17%
Revenue from operations (Net) ²	740	877	18%
Operating Profit	92	130	42%
Profit before Tax	106	150	41%
Profit after Tax	107	147	38%
EPS (Basic) ₹	12.41	16.13	30%
EPS (Diluted) ₹	11.73	15.39	31%
Cash flow from Operations	239	(82)	(321cr)
Net Worth	1,152	1,320	168cr
Borrowings	2	1	(1cr)
Net working capital ³	323	581	(258cr)
Net working capital as % of LTM Revenue ³	38.51%	56.54%	

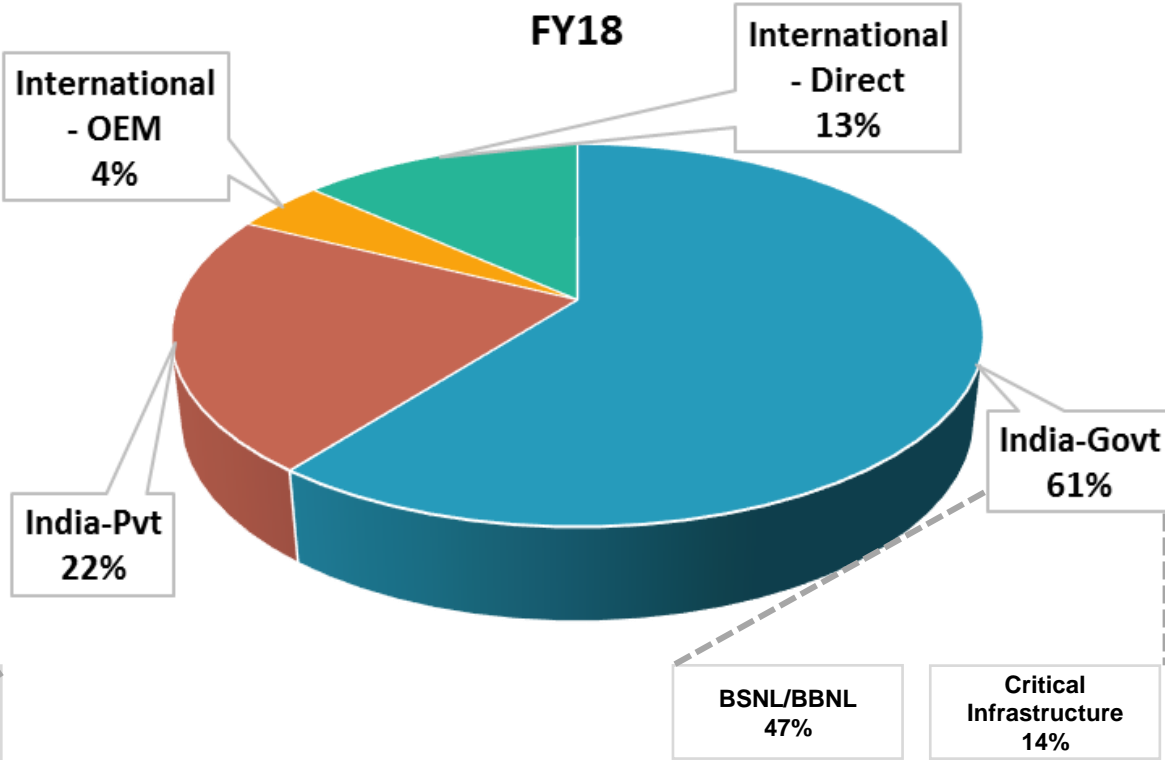
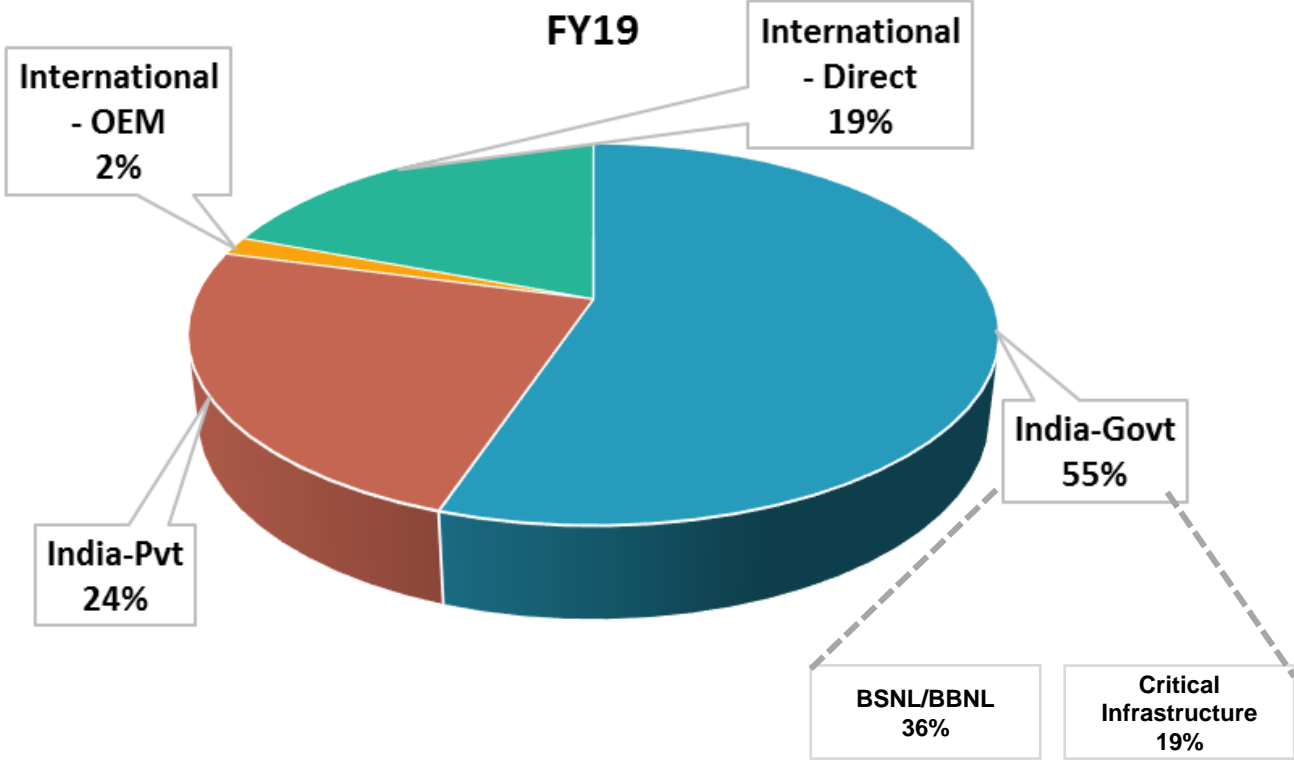
- For FY19, we saw revenue growth across India as well as International, while expanding our profitability
- Our operating profit for FY19 improved by 240 bps, due to higher gross margins and operating leverage
- DSO increased to 236 days from 135 days as on Mar 18, due to delays in collections from a India PSU customer. We collected some amount in Q4 and balance is expected in the near future
- Our working capital as at Mar 19 has increased to Rs. 581 crore from Rs. 323 crore as on Mar 18
 - Increase in receivables due to delayed collection from PSU customer and higher revenues in Q4
 - Working capital days increased by 65 days to 206 days
 - DPO increased to 132 days from 99 days
 - Inventory days decreased to 64 days from 83 days
- We continue to be a practically debt-free company, with cash and cash equivalents (incl. mutual fund investments of Rs. 369.7 Cr

1. The reported revenue for FY 18 were inclusive of excise duty (for Q1). Hence FY 19 revenue is not comparable on a YoY basis

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

3. 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

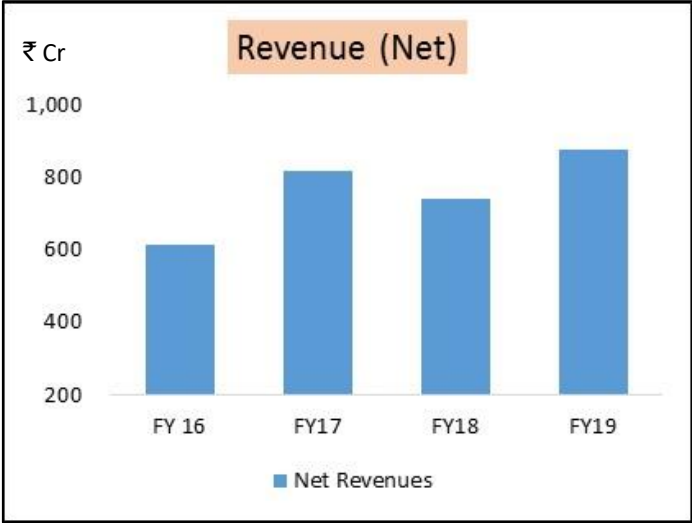
Revenue By Segments



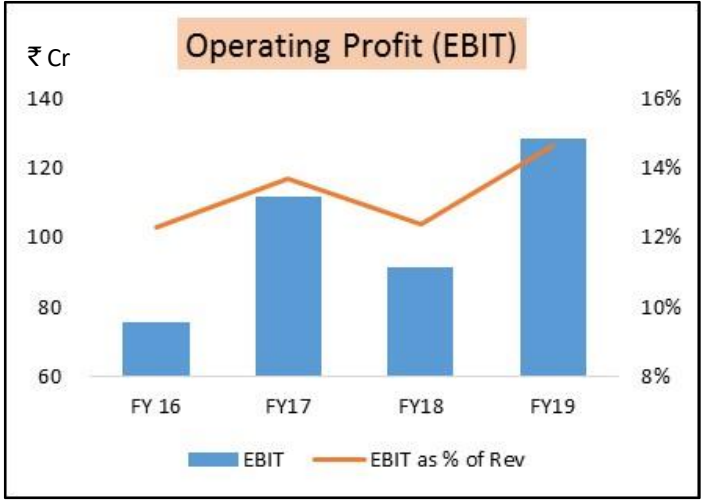
- Increased International Direct YoY growth 70%
- Continued growth in India Private YoY growth 28%
- Reduced dependency on India Govt. YoY growth 7%

FY 19
Net Revenue
grew by 18.5%

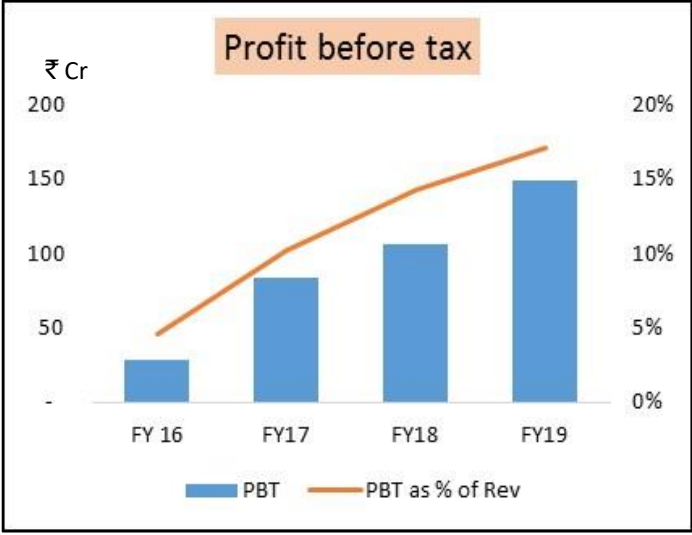
Financial Trends



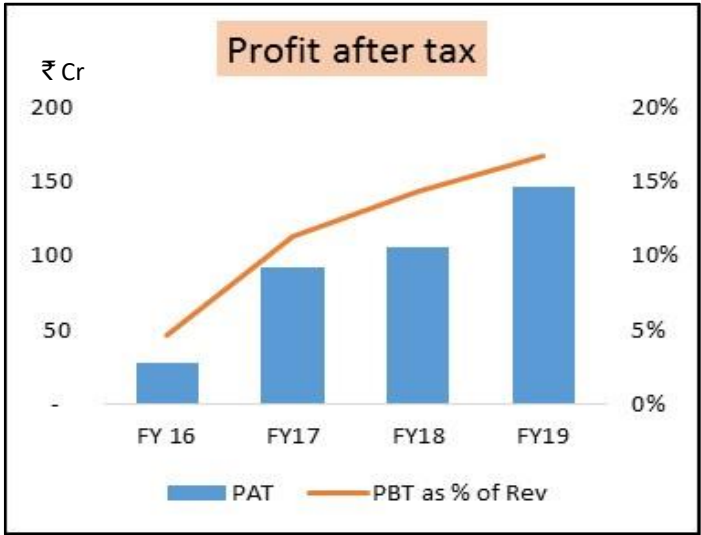
**3 Yr
CAGR
12.5%**



**3 Yr
CAGR
19.7%**

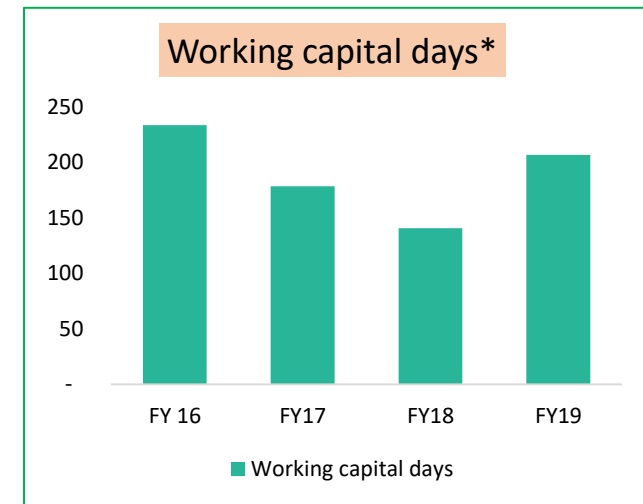
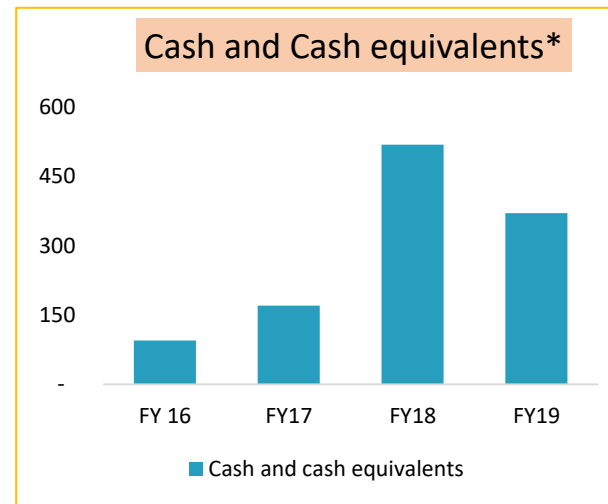
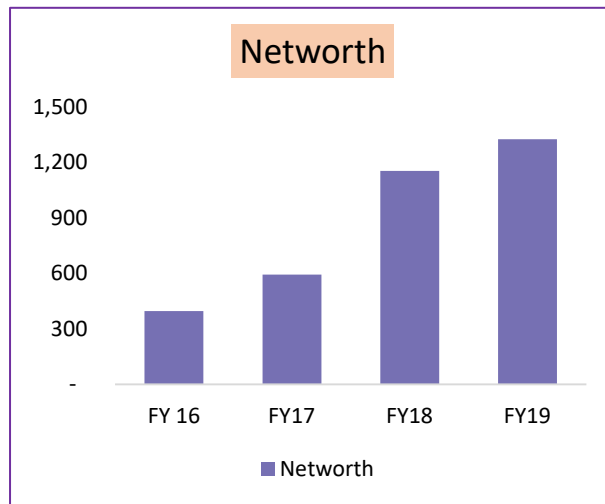
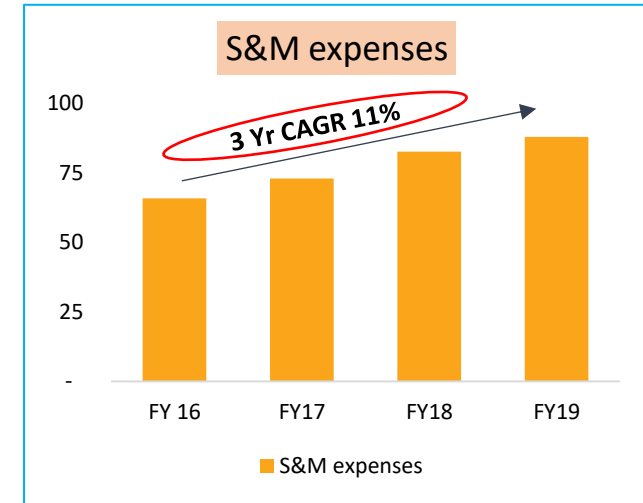
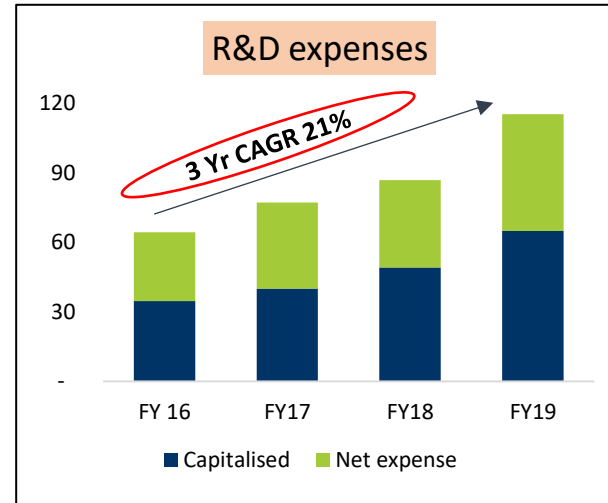
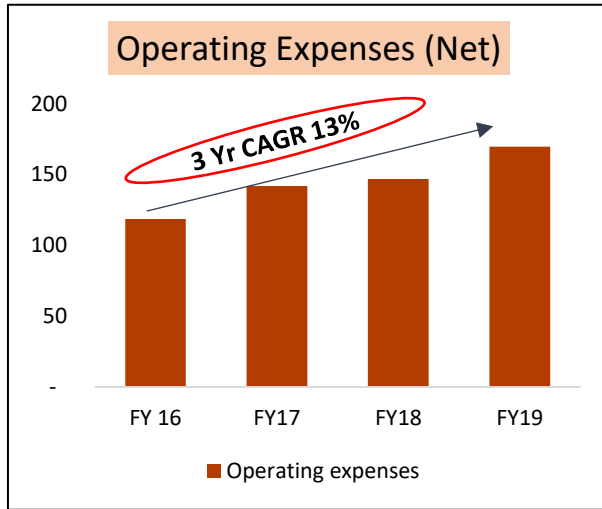


**3 Yr
CAGR
73.8%**



**3 Yr
CAGR
72.7%**

Financial Trends (Cont'd)



* Delays in payment from one large Indian Government customer resulted in reduction of Cash and Cash equivalents and increase in Working capital days for FY 19

Data Growth continues to drive our Business



FIXED BROADBAND

Multi-gigabit Access on Optical Fiber (FTTX) and Broadband Wireless (WTTX)

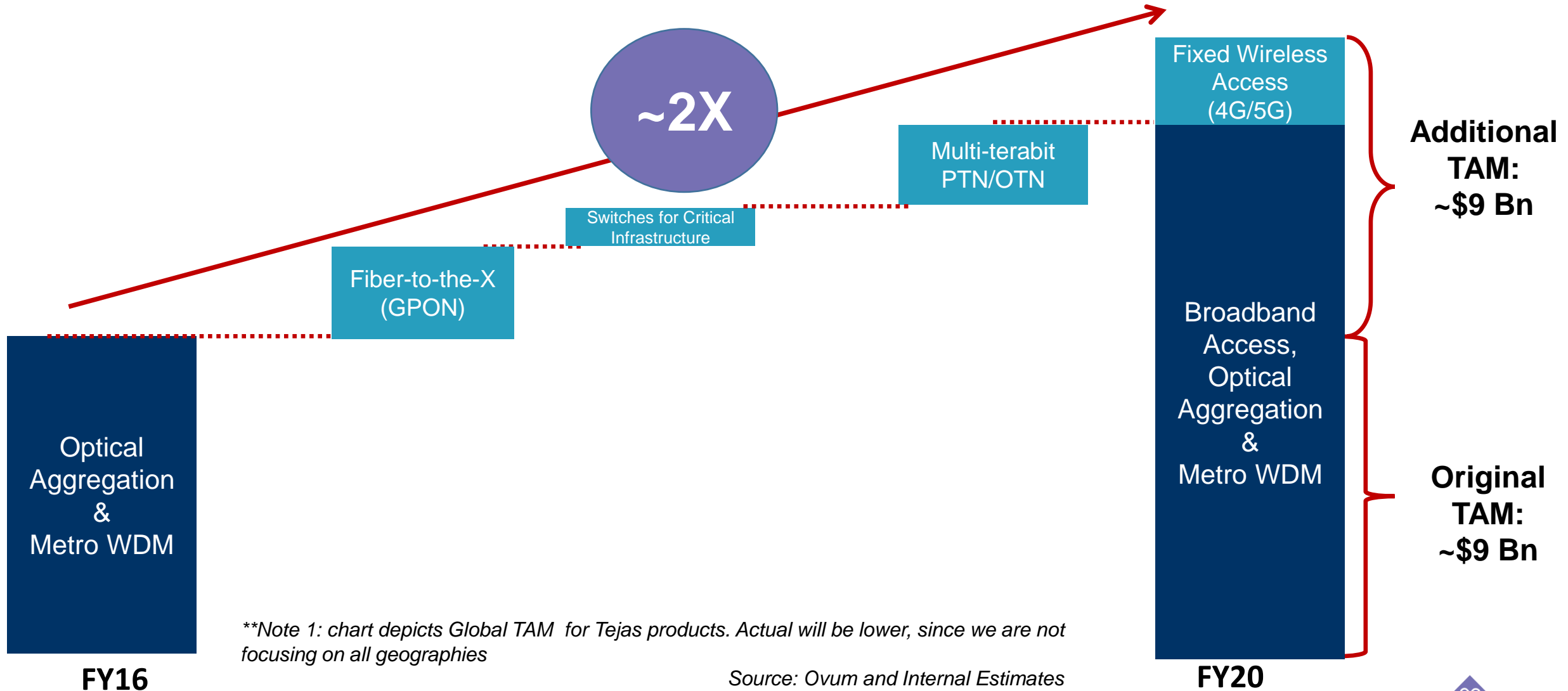
4G, 5G & IOT

Network Densification and Fiberization is driving growth in Metro Networks

CLOUD, DATA CENTER

Demand for Massively Scalable DWDM Networks with Multi-terabit Switching

Sustained R&D Investments leading to higher Total Addressable Market (TAM)



Medium-term Strategy

1

Leverage incumbency in India to benefit from pent-up demand for broadband and data; increase depth in India-private accounts so as to reduce dependence on lumpy, India-Govt business

2

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

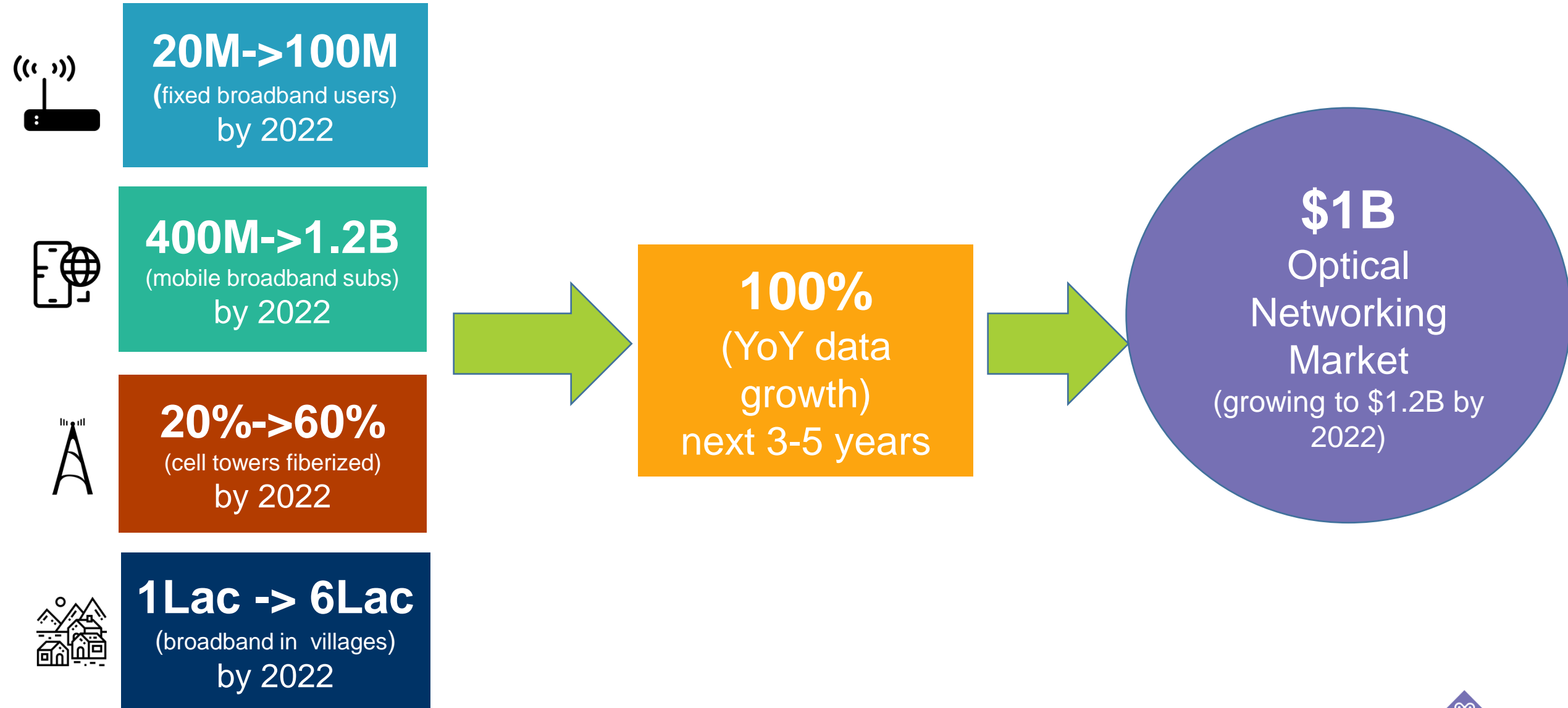
3

Continue to invest in R&D to maintain our product differentiation & expand our portfolio to increase our addressable market

4

Continue to deliver strong financial performance- maintain profitable growth and improve working capital efficiency

India: Data and Broadband Growth to Continue



Sales Update: India Government

Opportunity

- Government investments in broadband networks (rural connectivity, smart cities etc.) to continue both at center and state levels for next few years
- Critical infrastructure (power, rail, oil & gas, defence) network upgrades offers us good run-rate business
- Govt. business is profitable, due to large order sizes and high ROI on sales; Collection cycles could be longer

Our Strengths

- Strong incumbency and track record in all major government/PSU accounts
- Preference to Make-in-India (PMI) policies continues to be strengthened
- Govt's focus on Design and Make-in-India to achieve "Net Zero" imports of telecom equipment by 2022

Update

- India Govt. grew by 7%, but as a %age of total revenue, it came down to 55% (FY18 it was 61%)
- Our critical infrastructure is a run-rate business and showed significant YoY growth
- BSNL/Bharatnet business is lumpy and had a small YoY decline
- Healthy funnel for FY20:
 - We have won multiple tenders totaling over 300 Cr (via our System Integration partners) for Bharatnet Phase-2 (state and center) as well as Defense projects. Orders expected to convert during FY20
 - We see a healthy flow of new tenders
 - Actual revenues from India-Govt customers can fluctuate depending on timing of orders

Sales Update: India Private

Opportunity

- Positive capex cycle, especially for optical transmission, following operator consolidation
- Broadband/FTTx expected to be key growth driver
- 4G investments will continue for next 2-3 years; 5G rollouts will take a few more years
- Cloud/Datacenter connectivity expanding due to exploding web and video traffic and e-commerce

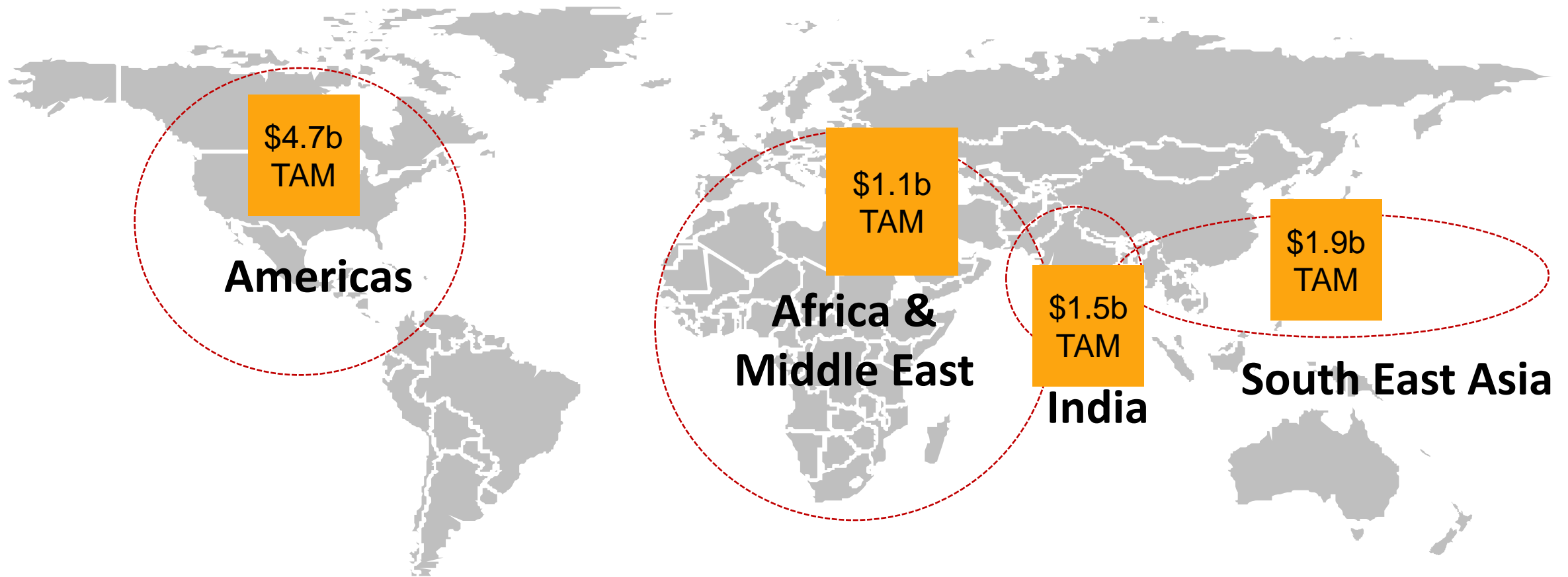
Our Strengths

- Universal mobile backhaul from 2G/3G to 4/5G
- State-of-the-art FTTx products that are field-proven in tough environment conditions
- Strengths in enterprise data connectivity market
- Strong, pan-India local support

Update

- India Private business grew by 28% YoY
- Selected by a large Tier-1 for a Metro capacity expansion project; >Rs 300 cr upgrade opportunity over next few years
- Active engagements for FTTx opportunity with two leading telcos- expecting orders in this FY
- Established strong SI/Channel partnerships for securing business from enterprise and captive network customers. Covers optical as well as ethernet switching products

Focus on International Expansion



Total Addressable Market (TAM) of ~\$9 billion

Sales Update: South Asia and South East Asia

Opportunity

- Targeted countries:
 - Bangladesh, Sri Lanka, Bhutan, Malaysia, Vietnam, Cambodia, Indonesia, Philippines, Myanmar, Mongolia
- Total Addressable Market of ~\$1.9b in target countries; expected to grow to ~\$2.4b by 2023
- ASEAN is a focus area for Indian-Govt's telecom exports

Our Strengths

- Strong references and credibility in the region
- Ultra-converged platform integrating FTTx, WTTx, PTN and OTN in one shelf
- Universal mobile backhaul from 2G/3G to 4/5G
- Credible alternative for customers looking to diversify their vendor base, beyond Chinese

Update

- Strong YoY revenue growth in FY19
- Increased regional sales investment by 16% YoY, including senior sales leader based in Singapore
- Customer Profile (by revenues)
 - Up to 1 Cr : 24
 - 1-15 Cr : 4
 - Above 15 Cr : 1
- Made good progress on Line-of-credit linked Govt-to-Govt projects in the region
- Good customer traction should result in a strong YoY growth in FY20

Sales Update: Africa and Middle East

Opportunity

- Targeting all of Africa and mid-east with focus on:
 - South Africa, Nigeria, Kenya, Burundi, Uganda, Rwanda, Algeria, Ghana, Morocco, Oman, Egypt etc.
- Total Addressable Market of ~\$1.1b in target countries expected to grow to ~\$1.3b by 2023

Our Strengths

- Field-proven 100G/200G alien wavelength solution interoperable with multiple, existing DWDM vendors
- Ultra-converged broadband access/edge
- Credible alternative for customers looking to diversify their vendor base, beyond Chinese
- Local sales and support offices in 4 locations: South Africa, Kenya, Nigeria, Dubai

Update

- FY19 revenues stayed almost flat YoY, since few deals got pushed out
- We Increased sales investment in the region by 23% YoY
- Got selected by 4 new Tier-1 operators (some are pan-African) and 15 new customers
- Customer Profile (by revenues)
 - Up to 1 Cr : 32
 - 1-15 Cr : 8
 - Above 15 Cr : 1
- Good customer funnel and engagements with multiple pan-African, Tier-1 operators should result in a strong YoY growth in FY20

Sales Update: America

Opportunity

- Targeting mainly North America region
 - USA- Tier 2 and Tier-3 operators and cable companies
 - Mexico- all operators
- Total Addressable Market of ~\$4.7b in target countries expected to reach ~\$5.7b by 2023

Our Strengths

- Local office in Mexico where we have strong customer reference and successes
- In USA- there are trade barriers for Chinese vendors
- High-capacity circuit emulation products for Network Modernization applications
- Ultra-converged broadband access/edge product
- Feature-rich Metro WDM/OTN products

Update

- America-direct business grew well, driven primarily by success in Mexico. OEM business has shrunk and is unlikely to grow in future
- Increased sales investment by 21% YoY
- Added 11 new customers including one Tier-1
- Customer Profile (by revenues)
 - Up to 1 Cr : 15
 - 1-15 Cr : 5
 - Above 15 Cr : 1
- In FY20, Mexico is expected to show strong growth with business from existing customers. In USA, we expect that the initial success and active customer engagements of FY19 will result in good revenue growth

Our Sustainable Competitive Advantage

Software-defined Hardware™

Programmable silicon eases feature upgrades, incorporation of new standards and protocols



Future Ready Products

Support multiple technology generations from same shelf (2G/3G to 4G/5G)

Ultra Converged Broadband Access/Edge

Any Media, Any Service, Any Technology

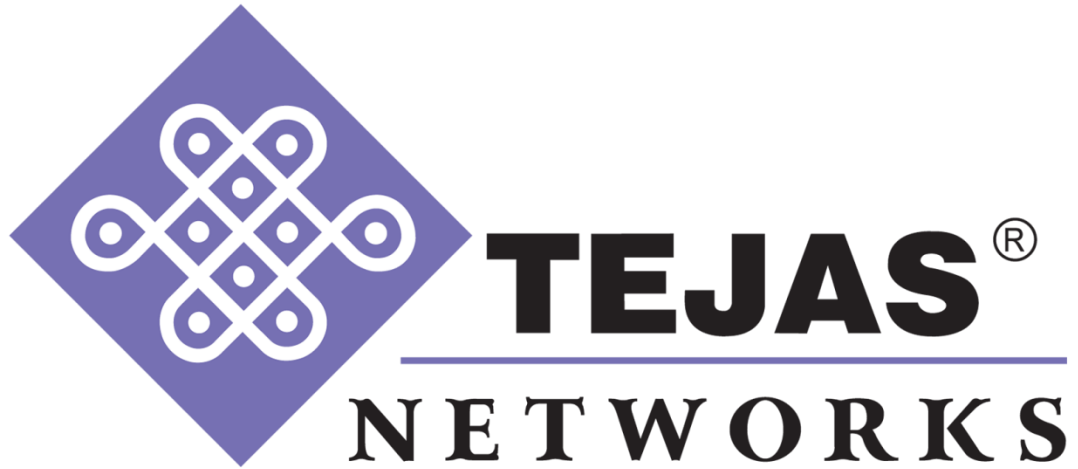


Innovative Business Model

Asset-light manufacturing, with cost-efficient India-based R&D and low operating costs, delivers superior financial performance

Key Takeaways

- Data growth trend continues to be a favorable driver for our business in India and International
 - Strong growth in data usage, broadband, cloud, data center and fiberization are driving optical investments
- FY19 was a healthy year of growth with expansion in profitability
 - Revenue growth of 18.5%, PBT growth of 41.5%
- Sales Investments in International-Direct starting to show results
 - Many new customer wins including several Tier-1 customers in our target countries
 - We will further increase our international sales investment across all regions in FY20
- India business continues to see good growth
 - Increased focus on India-Private yielding new application wins
 - Critical Infrastructure business (Power, Rail, Oil & Gas, defense) in India showing strong run-rate trend
 - India-Government (BSNL/Bharatnet) business is lumpy, but has good funnel from tender wins
- Sustained R&D investments expanding our addressable market and competitiveness
 - We continue to invest aggressively in R&D and IPR creation
 - We have a very competitive product portfolio from Access to Metro core
 - We are getting global recognition and international customer success for our products



Thank you!

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