"Tejas Networks Limited's Q4 FY2020 Earnings Conference Call"

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MANAGEMENT: **MR. SANJAY NAYAK – CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR, TEJAS NETWORKS LIMITED**
MR. KUMAR N. SIVARAJAN -- CHIEF TECHNOLOGY OFFICER, TEJAS NETWORKS LIMITED
MR. ARNOB ROY -- CHIEF OPERATING OFFICER, TEJAS NETWORKS LIMITED
MR. VENKATESH GADIYAR -- CHIEF FINANCIAL OFFICER, TEJAS NETWORKS LIMITED

MODERATOR: **MR. MUKUL GARG – HAITONG SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2020 Earnings Conference Call of Tejas Networks Limited, hosted by Haitong Securities Limited. 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 the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mukul Garg from Haitong Securities. Thank you, and over to you, sir.

Mukul Garg: Thank you, Steven. Good Evening, Everyone. On behalf of Haitong Securities, I would like to welcome the senior management of Tejas Networks for the Fourth Quarter of Fiscal 2020 Earnings Call.

As part of the senior management, we have Mr. Sanjay Nayak -- CEO and Managing Director, Mr. Kumar Sivarajan -- Chief Technology Officer; Mr. Arnob Roy -- Chief Operating Officer and Mr. Venkatesh Gadiyar -- Chief Financial Officer. I will now hand over the call to Mr. Sanjay to start the proceeding. Over to you, Sanjay.

Sanjay Nayak: Thank you, Mukul. Thank you, everybody for joining the call late evening today. And at the outset, I hope you and your families are all safe and we are in a very unprecedented and tricky situation. So, I hope everybody has been taking care and doing well.

I wanted to just make sure that we had uploaded the 'Presentation' on our website, and also made the 'Press Release'. So, I hope you had a chance to download that or at least look at it online.

So, I will be walking you through the presentation. So, let me start off with the first slide, which is the "Q4FY20 Key Updates." So Q4, we did net revenues of Rs.52.7 crores and for the whole year the net revenues were Rs.379.8 crores, profit before tax for Q4 was Rs.126.5 crores of loss and for the whole year it was Rs.138.6 crores of loss. Basically, we had a very steep fall in revenues primarily in Q4 which is traditionally the strong quarter for us. And as a result, because most of our costs other than cost of goods, are manpower related and almost fixed in nature, the shortfall in revenues resulted in a relatively large loss for us. Within this Rs.138.6 crores of PBT number for the whole year, we have a one-time impairment charge of Rs.69.9 crores on intangible R&D assets which we have revalued and Venkatesh when he talks a little later will talk about it. It is a one-time charge. So, if you take that away, the loss would come down to some extent. As on March 31st, our order book which is confirmed orders in hand is Rs.483 crores, out of which we think 35% to 40% will be revenue in FY'21.

In terms of what is really happening in the sales of the company, so Q4, as I said, was adversely affected by the COVID situation for us in two different ways -- One is that confirmed orders that we had in hand, usually in the last two or three weeks, a lot of the customers come for final factory acceptance testing and some of them are FOB orders, some of them are DDB paid orders, but because of all the logistics and everything else, all of those orders just could not be shipped out, and actually have not been shipped out in any significant way because even though the lockdowns have partly relaxed in Bangalore, we still have a little bit of a challenge doing that.

And second impact was that a lot of orders come late into the quarter from our existing customers who give us a forecast for whom the inventory is kept ready, and usually for their financial year end how they usually take these orders, but those orders again because of logistics issues and close downs could not be released to us both India and internationally. So, the net impact of that really made a pretty short Q4. All of these push outs orders from Q4 should happen in Q1/Q2 depending on when things open up both in India and internationally. It is not business loss, but orders that got shifted out.

For the whole year. If I look at it from a complete basis, we had a 57% drop in year-on-year revenue, which is a very steep fall. The reason for that is pretty simple; India was 79% of our total revenue in FY'19, which declined by 63% and international really did not grow as expected… and I will go into the specifics of those a little bit later. Within India, the India government business was very, very weak; we had a year-on-year decline of 88%. So even at the end of Q3 call, we had mentioned that Indian government is very weak, there was really no business done by BSNL or BharatNet, which got year-on-year decline of 98%, it is not that we lost anything, there was really no project that got done.

And the critical infrastructure, this is railways, utilities, power and all those, there we actually had orders, we were to ship it out. Those really got impacted by the lockdowns and we could not. So, the execution of those projects which we have in hand could not happen. So really the India government was the biggest drop.

India-private, I am sure you are all tracking the sector. After the AGR first decision came out in October of last year, subsequent to that, really there has been a significant cut back in the CAPEX by all the operators in the second half of the year, and as a result that also partly impacted our business. In Q3 India-private was showing year-on-year growth, but when Q4 happened, because some orders could not be shipped and some orders did not come, we had a 6% decline year-on-year.

The International, when we had again talked in Q3 end, we were quite confident that international at least on bookings will grow healthily during the year. But by the time we finished Q4, international declined 31% This again that a lot of large orders from our existing customers in Southeast Asia, Africa as well as Mexico got delayed although the orders are approved but they could not get the purchase orders to us.

Second issue also is that in the first set of lockdowns around the world, most telecom operators pretty much what they call a lockdown on the network, in the sense that they were neither upgrading nor they were allowed to upgrade and they were not even touching the network to make any changes, because the networks are critical services and they did not want to disturb that. So as a result, even the orders that they had, they basically told us, "Please do not ship because our warehouses are not open and we will not be able to install it." So that really kind of caused the decline in international. And again, from a business win perspective, momentum perspective, we felt that we are making good progress internationally. So, the net result was that the Run-rate business of India-private plus international decline 18% year-on-year which Q3 was actually on the positive territory. And we of course, continue to believe that IPR and R&D are very crucial for us. We have filed 349 patents till date and during the Quarter three new patents were approved and taking the total grant to 116.

I am now moving to the next slide which is a little bit more segmental view of each of the business. If you see on the left hand side, the chart is "How our business was in different buckets in FY'19." And the chart on the right hand side shows "How it is for FY'20." So, at a high level, 79% of the total business of FY'19 was from India and 21% was International. And in FY'20, that ratio changed to 67% India and 33% International, of course, that total base shrunk, but just from a split perspective, it did move to 67%-33%. Within those segments, the India-private dominated more than half of our business for the year and was 52% of the year, declining on an absolute basis at 6%. International OEM was almost flat which was around 3% last year, it declined by 9% and this is not going to be a big part of our business going forward anyway. International-direct is where we were expecting a healthy growth. But because of the reasons that I mentioned earlier, the actual revenue basis, it was a decline of 33%. And within India government BSNL, and BBNL, the BharatNet stuff, really nothing happened in the year and the critical infrastructure projects also declined 71% for the year, primarily because of execution delays. We really won almost a large majority of the projects that were out there for bidding. We have a healthy backlog and a whole bunch of tenders that we have bid which are expected to get executed this year.

So, if you see the overall focus again, we will continue to make sure that the Run-rate business which is the non-tender business continues to be something that we make our baseline, so the India-private as well as international is what we will continue to focus.

The critical infrastructure business again, a large part of that is executed through system integrator, again, which are private companies, although the end customer may be a government entity, but we do believe that is a reasonably solid piece of our business which is continuing.

At this stage I will hand over to Venkatesh Gadiyar, our CFO who will walk us through the next couple of slides on the financial side and give his views there. Gadiyar, please.

Venkatesh Gadiyar: Thank you, Sanjay. Good evening, everyone. Hope all of you are doing well and stay safe.

Now, on the financial update, the Q4 revenue we saw a steep decline - of around 80%; the revenues were Rs.53 crores for the Q4 and for the year ended Rs.380 crores and on a year-on-year basis for a full year, we saw a decline of 56% on the net revenue. EBITDA before impairment for FY'20 we saw a loss of Rs.94.6 crores on year-on-year decline of 172.6% and there was a provisioning of around Rs.18 crores of overall expected credit loss in Q4. This is primarily on account of the delays in the payment or a collection from the BSNL and others. However, we do not see any collection risk on account of the BSNL **same** as this is coming from the BharatNet Project. And EBIT after one-time impairment had a loss of Rs.164.5 crores for the year FY'20 which saw year-on-year decrease of 226.2%. There was a one-time impairment loss of Rs.69.87 crores of the R&D assets, including CWIP and capitalized R&D. Basically, we carry the R&D assets in two forms -- One is on CWIP and second one is on a capitalized product development. During the year we had made an assessment and tested for impairment of those assets. Certain assets in CWIP was impaired for which we felt that in the current situation we are seeing reduced future economic benefit, hence, we took the impairment charge of Rs.37 crores. And on the capitalized product development since we have developed newer versions of the products, we felt that it was prudent for us to impair the value of the intangible assets that we are carrying. As a result, we took the impairment charge of Rs.33 crores during the Q4 on the capitalized product development.

And on a PBT basis we had incurred a loss of Rs.138.6 crores, again on year-on-year basis, we saw a decline of 192.4% and on a PAT basis, our PAT - loss of 237.1, saw a decline of year-on-year basis 261 percentage.

Overall, with the net revenue of Rs.380 crores, the loss from the operations was about Rs.69 crores and one-time impairment of CWIP and capitalized product development of 70 crores totally comes to the loss of Rs.139 crores and with the deferred tax reversal of Rs.99 crores, the total PAT was coming to a loss of Rs.237 crores; however, we had recognized the deferred tax reversal of Rs.99 crores till nine months. Current quarter, there was no charge of deferred tax or MAT in this quarter as we are having losses in Q4.

Next slide on the "Key Financial Indicator." Our networth declined by Rs.126 crore during the quarter. We took an impairment on the intangible assets of Rs.70 crores, which is a one-time in nature and loss of about Rs.56 crores. Inventory has increased to Rs.252 crores. COVID has resulted in the push out of the certain shipments from Q4 and we expect to consume large part of the inventory in FY'21.

Trade receivables reduced to Rs.456 crores. We received only Rs.2.4 crores from BSNL during Q4 which was lower than the expected or planned for. And out of the backlog receivable around Rs.300 to 350 crores is to be expected to be collected during FY21 and DSO has increased from 268 days to 382 days as of December '19. Excluding BSNL, our DSOs have increased from 172 to 224 days. And subsequent to the year-end we have collected about Rs.12.5 crores from BSNL, that is just an update. Then working capital in absolute term has decreased.

On the cash position, as of March 31st 2020, we are a debt-free company with the cash and equivalents including the investment in the mutual fund and deposit with the financial institution and the deposit with the banks stood up to Rs.280 crores. And in this tough time, we need to conserve the cash and keep enough cash in the balance sheet to support the future growth. During FY'21, we expect to improve our cash position from the current level. Based on our expected collections and inventory usage and tight expense control we expect to see some year-on-year reduction in the operating expenses during FY'21. And we have done a detailed cash flow planning for the next 12-months and we believe that we are well positioned to meet our business growth requirements.

Then finally, for the year ended March 31st 2020, since company has incurred the loss, as per our policy, board has decided not to recommend any dividend for this year. over to Sanjay….

Sanjay Nayak: Okay. Thank you, Venkatesh for walking us through the key financial indicators and as he emphasized at the end, the cash conservation is a very important thing from our business perspective and being a debt-free company, we would like to make sure that as the year progresses, we continue to improve our cash position based on the receivables which are very large amount and all visible to be collected as well as the use of the inventory which is basically the push out of last year which would be able to use during the current year.

I am on the next slide, which is the COVID-19 impact on our business. So, this is an important thing because we have actually done a lot of work in terms of looking at different market research report. So, we looked at the Ovum Reports from a global perspective, and of course, we have our own view of the business, we have been talking to our customers. So just to give you a quick summary of what is the impact of the COVID on our business. So, number one is that as a company, I am very proud and happy to say that we have been able to successfully support all our customers globally. So, within a few days, we were able to put a business continuity plan into action. So, all field support, all technical support was on and given that telecom was declared as a critical infrastructure service, we were able to get a limited number of passes from the Ministry of Home Affairs even in the early days itself and we continue to have those passes. So, the good part of that is we have been able to consistently support all our customers. We are absolutely monitoring the progress and we are happy to say that all our customers where our equipment is there, we have been able to give 99.999% uptime over the last six weeks of lockdowns.

Secondly, for our own internal purposes, safety is very, very crucial. We are following every rule to the hilt and making sure that as a corporate citizen we do the right and the best processes. So, we have implemented work from home for all employees who can do that. Very few employees who will need to come to our manufacturing facilities which is by the way on in a very limited way, or the people who need to come and access the hardware labs in terms of testing of the software, etc., they have been able to do, but everybody else has been productively working from home, we have been able to provide them all the VPN and all the other services, increase the bandwidth requirement in our own network, and as a business, we have been able to continue our business without any glitches whatsoever, and I have not heard a single escalation from any customer worldwide to mention that.

By the way, just on a lighter note, on 15th of April at 9 p.m. when the Prime Minister had talked about shutting off the lights and lighting of the lamps, the entire power grid infrastructure basically had a much lesser load, and I am very happy to say that all the four GMs of Power Grid actually sent a congratulatory note to Tejas, because the communication infrastructure, which was balancing the load was running on Tejas, and we made sure that nothing amiss happened during that time as well.

Coming back to the next point, so there is clearly a very high degree of near-term uncertainty. To be honest, I have no idea how long the lockdown will be in Bangalore or in Bombay or in Delhi. The situation is evolving every day. In Karnataka they announced, certain concessions, but then they took it back. So, it is very, very obvious and clear that at least for the next two quarters, we really do not know how things are going to pan out. Not only in India, different parts of the world that we do business, by waves and by different sequences, the same impact is being seen. So, I would definitely expect that next two quarters will be very volatile. Number one, because of lockdowns, various governmental restrictions, supply chain sinks, for many days customs was not open, no transporter is picking any goods, international flights are not coming in and out, even if you need one component of out of hundred and if that is not available with you, it can disrupt your supply chain. A lot of customers are not taking things because their warehouses are not open. So, I think all of those disruptions, at least for the next two quarters will be on.

The third thing which has come out very strong and clear and I am sure each one of you have directly experienced it and as a country we have experienced it that reliable working of telecom network has been a bright spot in the economy that we are able to do work from home or from wherever else, the mission criticality of the network is obvious. However, the data traffic on the network has dramatically gone up. I have been talking to our large customers in India, and one of them said that between 20% to 30% traffic increase they have seen just in the last four weeks, and just to give you a sense, people usually expect 20% to 30% data increase in a year, but here people have been able to see it in a few weeks. So, net-net if you see the right hand chart which is from the Ovum Reports, homes are modeling into small offices due to work from home and a lot of home broadband and data consumption for eLearning, entertainment, shopping, social networking, pretty much all of that is happening. So, the entire investment around home broadband is going to be significantly high. And mobile services can only do so much. But going for any high speed broadband, one would need fiber kind of service for home. So that is one trend we are seeing. So, if I were to look at it from medium and long term, I think we expect that there should be a net positive impact on our business. Clearly, optical infrastructure and GPON which is fiber-to-the-home infrastructure spending by operators around the world should increase and that is the sweet spot for our business, as bandwidth will be upgraded. So, backbone network capacity has to go up. Again, there our DWDM equipments were used. Fiberization will continue both for home broadband and of course existing 4G networks have to be strengthened and you are seeing some of that in India, how the networks are choking. Of course, 5G networks are going to be delayed. Clearly, I do not think that is going to be a priority for many countries for the next couple of years.

And the last part again, I am sure you have been tracking all the news reports, but we get direct feedback from a lot of our customers, that customers are very specifically looking to diversify their supply base away from China. But there has been a significant amount of discomfort where they put a lot of their suppliers out of China and they are very, very clear that for variety of reasons, they would like to get an alternate from China and we seem to be very well positioned for those kind of services especially in the market that we service which is Southeast Asia, Africa, US and Mexico and of course, India. So, I think that is the last part which I think is going to play out. How well? How much? It is really something which we do not know.

So just to summarize this slide, I would say clearly a lot of choppiness near-term. It is very hard to predict anything to be honest. But if I look at a medium term and long term outlook, there is an opportunity. And that is why being solid on cash is a very high priority for us, because that will give us the benefit from these opportunities as they open up.

Going to the next slide in terms of the Business Update, I have one slide for the India and one more for International. So, in the FY20 Update, as I mentioned, for government account, it is not that we lost any business, it is just that hardly any business happened. Although they have publicly announced that they want to do a lot more in a coverage of BharatNet from 125,000 villages to 250,000 villages by August 21. But realistically speaking, given what is happening, we really have to see the things on the ground before we get a good comfort around it. During the last year, we did collect Rs.88 crores of pending payments from BSNL and BharatNet. We still have some amount pending. We do not see that risk, I mean, as Venkatesh said we did collect Rs.12 crores even in the last week or two, but clearly, what happens to BSNL funding and rollouts of 4G and so on, will really determine the kind of business we get from that account both for BSNL as well as BharatNet.

The critical infrastructure is not one business, but through lots of little businesses between railways, metro, power, oil and gas. Telecom is like a very small portion of their total spend. Since those are infrastructure projects which continue at their own pace, we do not see any difference coming into that. A lot of these video surveillance projects and stuff like that, we have orders which the execution got delayed. We also have been into a lot of tenders last year, some of them we have won and the POs are not in our hand which we expect to come out for execution next year. So, net-net, this is a business that we primarily have shifted to doing through system integrator so that we are not having any direct exposure both in terms of payment or in terms of risk, but at the same time building a pretty strong funnel for next year as well.

Lastly, I would say the preference to “Make in India” policy is being strengthened from all the indicators we are getting from the government. They are really serious that telecom being a critical infrastructure, they do want to diversify the supply chain risk, they want to see “Make in India” can be used, and maybe this is the time that they think Indian companies need to step up and clearly, we have the product and technology to get there.

We have again, as I said, in the critical infrastructure segment, there are some large tenders again through the SI partners for defense and some state-led fiber network which we actually won in FY'19 and we were expecting the orders to come in FY'20 and execute but the entire year is gone and given things are slow, we do expect those orders to come in and get executed in FY'21.

In terms of private accounts, you all are aware of the AGR issue and how it pretty much stressed out the sector and everybody was really focused on taking care of that issue rather than any CAPEX investments and so on. But I am again happy to say that for one of the largest GPON rollouts that is going to happen in the country, we have been selected as a supplier for that. We do not see any revenue impact in the near-term because we have to do all the integration of our equipment into their management and other systems. But Q2 onwards we do expect to start seeing business from that. And this can be a long term revenue driver for us because home broadband is where a lot of focus will be and we being into that application should give us good business.

Of course, we partnered with Tata to roll out one of the largest public WiFi network for 4,000 railway stations last year which was done again on GPON technology. You would have seen even Prime Minister tweet about 4,000 stations being done. We are happy to say that we partnered with the railways to execute that project on behalf of Tata.

Again, coming back to the private operators for next year, we feel the data traffic has gone up, home broadband and business broadband connectivity, which is the segment that we focus on, would definitely have a lot more demand. And given that they are incumbent suppliers and all the major telcos, as and when they spend CAPEX which we expect at least for our part of the business should start happening soon, which I heard some public announcement that they would like to accelerate the home broadband rollout, we expect that this part of the business should show a good business next year. But again, I would like to caution that all of these things are all subject to the macro environment of how things pan out. And clearly, we will not be insulated from that except for the fact that telecom is a critical infrastructure that everybody wants to build up for.

Going to the next slide on international, again just a quick summary slide in terms of which part of the world are we focusing on and what is the addressable market? I mean, the short answer is, we are focused on three geographies. This has been consistently something that we have been doing for the last 18-months or so. So, we are focusing on Africa and Middle East. Africa has now become a very important territory, in fact, despite all the other regions slowing down, Africa did show a good growth last year and it is actually becoming a fairly large piece of our business. We have had strong leadership there. And that part of the business itself is $2-2.5 billion dollars per annum. South and Southeast Asia, again, we are targeting in a few countries; Malaysia, Bangladesh, Sri Lanka, Vietnam and so on. Again, we won a lot of business last year. Orders did not fructify in Q4, but we do expect that this year in Q1 hopefully once the opening of those countries happen and going forward we should see some orders inflow from these countries and this should again become a good region. Mexico is something which we have been doing well. US is a market which we have been trying to do well and we have still not made much progress, but it is a very large market. So, if we look at all the three markets, we have a fairly large addressable market of about $9 million per year.

Going to the next slide in terms of each of these segments, how did they do and where we are. So, Africa and Middle East, I think, again was the strongest growing region for us; we grew 20% year-on-year last year. And more importantly, we won 3 more tier-one operators in Africa, and we are of course getting significant repeat business from some of the existing large customers. The team is in place. We have split the team. We have a strong leader which is a local leadership based in Johannesburg. During Q4, we also had a strong local leader based in Middle East based out of Dubai. So now literally I would say that that region is well-invested with local team, local people, local relationships. And despite all the other challenges, we expect this region to give us good results in the next year because we see a strong order funnel from existing customers.

And one thing I must tell you that the way we are planning our FY21 business, we are assuming that a significant part of the business has to come from existing customers, because winning new customers in this uncertain environment with travel restrictions, especially internationally is going to be a little bit tricky. So, the initiative from our side is that we have a lot of products to sell. We may be in one or two applications in every customer. But can we find a way to get into more applications and get a larger wallet share from them?

And given the fact that in Africa a lot of broadband infrastructure is being built especially from web scale companies, the Googles, the Facebooks and the Microsofts of the world are making large bandwidth investments into Africa. We do expect that our converged access solution for GPON and wireless would give us good business in Africa.

In South and Southeast Asia on FY'20 basis, our revenue declined primarily due to some large order push outs by customers, existing customers actually Malaysia, Bangladesh and Vietnam in Q4. We also got a new tier-1 win during the year out of Hong Kong which is a global customer and we got initial orders and we see that we will be able to increase our footprint into that account during the current year. And again, as I said, because of the push outs of Q4, we should see a good inflow of orders in the first half. And of course, we are increasing focus on a few specific countries like Philippines and a couple others where we were not focusing on earlier, and hopefully with some local sales team that we put already in place, and we expect those to start delivering.

In terms of North America, Mexico, again, recently, we won a new tier-1 customer and we continue to get repeat business from existing customers, although the revenues on an absolute basis declined in Mexico, again due to push out of orders in Q4. But if I look at the FY21 funnel, from existing customers, we see a pretty strong order funnel plus we have won a few new applications in them and which would give us a higher wallet share in the Mexican accounts. And again, we are fully staffed in Mexico with local teams and we are confident that even the travel restriction should not come in the way of business as and when it happens there.

US, as you remember, we rejigged and we hired a new head of sales and CTO for the US market last year. The business in FY'20 to be honest was still very low although we did get six new customers, these are small customers, and we also signed a couple of new system integrator channels. This is something which we figured out in the US that the Tier-3 SP accounts are very small accounts and it is very hard for us to cover them directly. So, we have now been talking to a few system integrators who already have a fairly large reach into these accounts and they are selling all kinds of different products. They are not OEMs but they are more like reseller channels. We have developed a few channels and if we look at the leads that these channels are generating for us from tier-3 customers, that is something which is encouraging. While the tier-2 customers, we are going direct. So as a combination, our direct sales team can attack the bigger accounts, our channel team through this system integrators can attack the smaller accounts and the combination of the two, we expect to deliver results this year in FY'21, although in FY'20, as I said, it was really not as per our own expectation. So, that is kind of a quick summary on the international business far last year and the outlook for FY'21.

I am now on to the last slide, which is more like just kind of the summary of how we look at the whole business. So, clearly, FY'20 was not a year that we are happy about in terms of either revenue or profit. Really, we got hit initially by the Indian government business, which absolutely did not happen at all, and secondly, we got hit by the AGR issue in the India-private sector and then later on, when we are expecting the international to come up in Q4 some of our orders got pushed out because of the COVID and other situation. So, I think FY'20 was a year where we faced rough weather but we have to learn our lessons and move on.

So, what we are doing really is the number one focus and priority for the company given the uncertainty of the environment is the cash position. That is one area where we feel that with Rs.280 crores of cash and no debt at all, we are in a comfortable position. We stressed out all our different business models, the best case, the worst case and all the other situations and we feel that we are absolutely in a comfort zone in terms of having adequate cash to have and grow our business despite all the challenges in the future.

We also have a receivable of Rs.456 crores and as Venkatesh mentioned earlier, we expect to collect 300 to 350 crores out of it even with some amount of BSNL money getting delayed, we still feel that most of this money is something which we have a very strong visibility, lot of it should come into the first half of the year itself. And inventory of Rs.252 crores which we basically built for Q4 and some of the earlier shipments, we should be able to ship that out. It is all perfectly alive and with incremental inventory investments during the year, we should be able to generate revenue. So, these two alone should bring a lot more cash into the system.

And the last part is really to do the expense management and burn rate. And we have consciously looked at all expense items, of course, manpower and salary are our largest item. So, any variable cost that we have in the company, including the manpower cost, we have really tightened all of that and we will make sure that expense wise we keep a very tight ship till we start seeing the overall macro environment on business improving.

So really, the sales focus is going to be the big thing for us. And we have to increase our market share in international countries where we already have a presence and get a larger wallet share of our existing customers both in India and internationally. And again, this is the best way for us to ensure that in a turbulent year, with existing relationship, we can get a lot more business. We have a lot of products to sell. We have not sold all the products to all the customers and that is an opportunity that we are taking it as a challenge.

Order book, again, would give us a certain amount of revenues from Rs.483 crores. As I said 35% to 40% we have very clearvisibility should be executed in FY'21.

Again, the next part is the GPON. And GPON is one thing which as a technology we think… and I talked about the Ovum Reports earlier where home broadband is going to be a big focus for all the operators around the world. And this is one area where we seem to be competing with the biggest and the best in the world and are winning in the toughest RFPs around the world. We have good amount of confidence and comfort that with the number of engagements we are having in GPON around the world and NG-PON which is the next-generation technology after that, we think we should have a fairly strong product portfolio to get multi-year revenue growth. And of course, as and when the Indian telecom sector recovers, which of course is as good a guess mine versus yours, we do think that Make in India policy and diversity of supply chain risk and the product fit that we have, we should be able to see some benefit from that.

Last but not the least I want to make sure that while times are tough and we are taking a real hard look at every expense, we are also conscious that as a company, making R&D investment in a judicious way is very, very crucial to increase our product competitiveness, so we will continue to invest in R&D but of course in a very focused manner and make sure that our R&D priorities are set based on the application wins and based on the business outlook that we are seeing so that we really get a lot more productivity out of everything that we are investing.

In the near term, as I said, we are cognizant that there is a lot of uncertainty because of the COVID situation. There could be delays in shipments and orders could be pushed out. We are also seeing some delays and receivable customers are saying, "Well, next week, banks are closed." All kinds of things and in fact, a lot more collections actually we were expecting in Q4 pretty much got pushed out because of these reasons. So, I believe that all of these things will continue. It is not very clear that how this whole thing will pan out. So, till this clarity happens both in India where we are located as well as internationally where a lot of our customers are, we will continue to see choppiness in the near-term, whether it last two quarters or longer, we do not really know. Of course, the only thing we could do is make sure that cash is what is in our control and expenses are in our control and getting more from our existing customers is something that we are pushing hard. So, what we can control we are doing, but beyond that we do need to be aware of the overall uncertainty.

Medium term, if I look at, clearly, telecom is one of the sectors around the world, which should gain out of the new normal as they are calling in terms of how people life will be in terms of work from home, home based entertainment, learning and every other thing that we all actually experience every single day directly that will impact, that networks have to become bigger, fiber-to-the-home and other kind of services have to be there because wireless can only do so much and that is basically the area of focus for our company's products for the last couple of years. We believe that turnaround as and when happens, we are ready for it and should gain out of it. Of course, the macro driver in terms of data usage, broadband consumption, the cloud, all that stuff continues to still stay put except that the timing of some of those investments may shift a little bit.

And the last one again, I must tell you, and it is kind of an evolving situation every single day, that there is a significant amount of opportunity which could potentially open up because people do want to diversify their supply chain risk away from China. And clearly, we feel that is an opportunity that we may be able to take advantage of given the richness of our product portfolio, the fact that we have been able to compete with the best in the world, except that we do need the right opportunities from the customer. In fact, now it is becoming very interesting that some of our sales people are coming back and say, "This used to be 100% account which was only being run by Chinese companies." And customers explicit mandate is to get an alternate supplier and that is why our opportunities opening up. So, I hope that some of those things should come into play. But overall, I would say that last year again was a disappointing year, both in terms of revenues and profits. We did what we could but there is so much of things which happened around us that we did not have much control on the output. What we are controlling is cash and going forward once the COVID situation clears, we do feel that as and when things get ready, we should be in a position to get better business. And at this stage, I would say the management team and the board are really watching the situation very closely, and making sure that we take this as more like cash conservation being the number one priority of the company and then while we look at revenue growth and all the other opportunities. So that's kind of the way we are working in the company today. At this stage, I will pause and maybe we can take questions from everybody.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rahul Bhasin from Baring Advisors. Please go ahead.

Rahul Bhasin: Can I just request you to give us some color on what your competitive landscape is, who are your competitors and if you were to go out of business tomorrow, what is it that the customers would miss and who else could fill that slot?

Sanjay Nayak: We are in the optical and the home broadband, which is the fiber-to-the-home segment. So, the competitors really are from the western world for GPON which is the FTTH, we have Nokia, which is Alcatel-Lucent as one competitor, and then we have Huawei and ZTE from China as the two other competitors. So really, if I were to see in any deal in the world, it is between these four of us and primarily Nokia, Huawei and us are the three main players in the broad markets in the GPON. In US alone, there is a company called Calyx which is just focused on the FTTH segment of the market for GPON and NG-PON, is the competitor in that segment. Coming to the optical infrastructure which is the backbone and the metro and the access network, and the technology there which is used is DWM. There again the main competitor from the Western world is Ciena, which is the number one company in the world in terms of the optical transmission today. And by the way for many, many years we are the OEM partners to Ciena for certain parts of their portfolio, and then we have Nokia which is again the Alcatel-Lucent portfolio from the Western world. Third company from the Western world is the Infinera. These are the three guys but primarily if we see in the market that we operate almost all the time if we were to look into we would either run into Ciena or Nokia from the west, and again we would run into Huawei or ZTE and there is another third company called Wuhan Research Institute, which has now been rechristened to FiberHome. Those are the companies that we see in terms of the competitive landscape. One thing I must tell you that everywhere in the world, whether it is in India or in Africa or in Mexico or in the US, we are running against the same guys, and given a fair shot in all the markets we are winning if we get a fair opportunity against these competitors.

Rahul Bhasin: What are the market shares at the moment?

Sanjay Nayak: If I am not mistaken for optical transmission Ciena is at around close to 25% to 30% market share in the world and Huawei is in a similar range, followed by Nokia which will be around 15% to 20% of the global market, but the global optical transmission market is around $16 billion to $17 billion per year, and as I said Ciena's revenues around $4.5-5 billion. So, between Ciena, Nokia and Huawei, they would probably be 70% of the market and then you have ZTE, then Infinera, then ADVA and many other companies who come to the tail end. And for the broadband market which is the fiber-to-the-home GPON, Nokia would be the market leader in the world, followed by Huawei, and then followed by different champions in different countries, like in India, we have the largest share of GPON market and US has Calyx and China of course, it is Huawei and ZTE, so that is what it would be.

Moderator: Thank you. The next question is from the line of Pranav Kshatriya from Edelweiss. Please go ahead.

Pranav Kshatriya: My first question is with regards to the international business. So, if you look at past few quarters, our commentary has been fairly positive regarding international business. And whereas we have seen a sharp decline in the revenue from this part. I remember you were talking about US tier-1 client win. So, do you think that scaling up in certain account has been a challenge, because I understand that this COVID-related issue was mostly like a March phenomena, but if I look at enough of the 11-months we should have been at a much higher level, so what would you put that as and do you think both problems are behind us and we should be seeing growth going ahead?

Sanjay Nayak: Good question first of all. If you see the international business, our optimism was based on , two assumptions -- one is getting orders from existing customers, whether customers in Malaysia or Africa or Mexico, so those orders which we kind of take it for granted if I were to say it in more simple way, because it is a forecast order, we know they needed, so those are the ones which actually got shifted in the 11th month, because most of the time those orders come late if you really see, March revenues have been very heavy for us. So, when I mentioned that there is a significant part of revenues of Q4 which we could not ship because of those orders getting delayed, those are from the existing customers. Now coming back to the new customer wins we had, we actually did win a significant amount of business. In fact, we actually as late as in Q3, where the RFPs were decided in our favor and we were expecting that the orders will come in Q4, but maybe procedural delays, maybe whatever other reasons were happening in those countries, some of those orders basically got pushed out. So, for example, we have won a large deal in Middle East which is a multi-million dollar deal, large deal in West Africa, which again is a multi-million dollar, large in South Africa, large in Mexico, these are new customers beyond the existing, so we were expecting even when we had the commentary in January that those orders should fructify based on what it is. So those things we have won, but just the conversion has been a little bit behind plan if I were to say. So those are the two reasons that I would say the international has not shown results in terms of the Q4, instead of increase, it actually declined because the base was not that big. And the only disappointing thing in terms of what was below our expectation in terms of even customer wins was actually US, because in other territories, we did not get revenues or even confirmed orders in our hand by Q4, but we did get the win, which means we have been selected officially and it is a question of now getting the orders from them. But in the US market, I think we are still kind of finding our feet in the direct way and going after the TSP through a channel strategy which we kind of devised because we are not able to cover enough account. So, US was something which clearly, we are still getting a better handle on, but the other geographies seem to be doing okay except that they have not shown in the results yet.

Pranav Kshatriya: My second question is regarding the India-private business. Here we saw a decline. Would you say that the market itself has shrunk for India-private or you lost market share in this business because I would have expected higher fiber rollout because a lot of CAPEX is happening towards fiberization. So, how would you say that this decline?

Sanjay Nayak: In India-private, as we explained earlier, there are two factors. By the second half of the year, the active electronics CAPEX definitely shrunk because of the post AGR issues from what we know after October hardly any orders went across any private operators by the way except for the minimal stuff that people needed. So, that was one factor. But more than that factor was a question of which all applications in each customer account have we been selected for. So, for example, in one operator, one application which was doing fine, but they did not expand their metro capacity as much as we thought, so, which did not happen last year, but should happen this year because now we already designed into that. Another operator as I mentioned, we have now been selected for their fiber-to-the-home rollout. But no real business has come, but as and when the rollout start happen and as and then our products get integrated into their system, we should be able to see revenue from that account. In the DWDM category for example, which is where some of the intercity and the larger backbones are there, we were not designed into any of these applications for those guys. We would have of course not got any business from that segment. So, given the segment that we are operating, we believe that last year while we would have got a reasonable amount of business but the more comforting thing for us from a structural angle was that we won a few new applications which should give us a consistent revenue going forward.

Pranav Kshatriya: Can you just comment on this large GPON customer win which you talked about for India-Private? Are you the exclusive supplier in that segment or you have some competition, how was…?

Sanjay Nayak: Yes, we are definitely not exclusive. They already have an incumbent supplier and with whom they have rolled out to a limited way. But we believe that going forward, once we are integrated into all the systems, we should be able to get a larger part of their build outs based on all the competitive advantages that we have. So, definitely we are not the only one but there are not too many competitors either in that account.

Pranav Kshatriya: Lastly, can you just comment a bit on the write-off because if I look at historically FY'17 you had a Rs.30 crores write off of the similar nature, now, you got almost Rs.70 crores write off, do you think that your amortization policy needs to be adjusted to writing off or maybe have a faster rate of the intangible?

Sanjay Nayak: Actually, in FY17 if you remember, we actually wrote off because that work that we were doing, we had abandoned that project. Whereas what we have done right now is we have only taken impairment in the value of the asset that we are carrying. So, if you see from R&D policy, we are not changing the R&D policy. After we capitalize, we anyway amortize over a 24-month period. So, if we capitalize on month-x, 24 months from that we amortize which is what is already two years. What we are doing is, given the current situation, we just thought that there is a potential to take a more critical view of which asset we are carrying on the books and Venkatesh had explained earlier. If it is more prudent to say that what, you already have a slightly newer version of this, so the current version will sell slightly lesser, we have taken impairment of that asset as part of the carrying of the asset. I do not think we are going to be changing the R&D policy, but we will critically continue to evaluate any asset that we create, whether it should be expensed off in the same year itself, or should even be capitalized in the first place, because that is something which we will continue to do so that given the R&D nature, as I said, we anyway have a two-year window for the amortization and we will continue to evaluate that.

Pranav Kshatriya: On BSNL you said that Rs.2.4 crores was received in this quarter and after that there was certain more portion which was received. Can you please repeat what was that amount?

Sanjay Nayak: So, in Q4, we only received Rs.2.4 crores and if you have all been reading the press, nobody really got paid after December tranche of money that BSNL had released. And in this quarter since April 1, we did receive another Rs.12.5 crores of payment. So, the payments are coming. Of course, BSNL itself still does not have. While all the policy measures and the financial package was announced, on the ground, the money which is being released from the government to BSNL is still not as per the plan. And as and when they keep getting money, we keep getting paid as well. So that is why in the first two weeks of this quarter which is the April quarter, , we got another Rs.12.5 crores of payment from them.

Moderator: Thank you. The next question is from the line of Mukul Garg from Haitong Securities. Please go ahead.

Mukul Garg: Sanjay, just wanted to understand a bit about I think you earlier mentioned about the criticality of holding cash. If we look at Q4 due to partial sales in this quarter, you had operating loss of over Rs.50 crores. If I do not take into account the credit loss which you guys have booked this quarter. How long do you think you have comfort on cash given this kind of burn especially, it seems like Q1 will be washout, do you have ways to bring down salaries or other costs meaningfully to kind of elongate your cash position?

Sanjay Nayak: A very good question. And this is something which I kind of alluded to maybe in my earlier comment and I can go into a little bit of more detail. So, the way we are looking at cash flow is that number one is that out of the Rs.450 crores of receivables, we actually have a month wise collection plan basically which we have a fairly high degree of certainty and visibility in terms of what is going to come into the company. So that is going to be a fairly large amount. And if you remember I mentioned that a significant part of our collection should come into the first half of this year itself. So, that is one part where just the receivables alone… and these are just by the way time bound receivables except for something which because of the banking system lockout in late March in many countries, some of the remittances could not come to us in that sense, but as things open up, that money should just come to us. So, I feel that the receivable alone gives us a lot of comfort in terms of taking care of our burn rate. So, if you really see our burn rate, fixed burn rate is close to if I include salaries plus all the rentals, utilities, everything else is in the tune of something like Rs.18 to 20 crores per month. So, if I look at it this way, we are talking of Rs.60 crores outflow from a basis of our burn rate, and that again as Venkatesh had mentioned we are continuing to tighten to the extent possible. If I just see from a very simplistic angle, we need to collect much, much more than Rs.60 crores per quarter which I think we already have a very strong visibility in terms of what money is coming in this quarter. That is one part. The second part is for the revenues… even though we will have a slow Q1 clearly because April is gone, May also nobody really knows what is going to be there, so, it can be a pretty bad quarter, but the good news is the inventory is already there. So, my outflow on inventory payables will also be very marginal, because I already have the inventory which was supposed to ship out in Q4. So, that again will not require new cash out of me. So, the resultant of these two alone, we will be able to make sure that as long as we collect more than Rs.60 crores just at a rule of thumb basis per quarter, we will be continuing to actually add cash into our system rather than deplete cash. So, if you really see over the years if we can actually collect anywhere between Rs.300 crores to 350 crores out of the 450 crores that we have because some of it is retention money which will come later, so that plus if I can convert say out of Rs.250 crores of inventory, I convert another Rs.100 crores of inventory or Rs.125 crores of inventory which will result into say Rs.250 crores of revenue. So, for up to 250 crores of revenue, I hardly have to make incremental investments in my outflow. My only outflow is the monthly burn rate of Rs.20 crores. My inflow is going to be Rs.300 crores to 350 crores spread over next nine months or 12-months. So, as a result when you do that math, our cash position is clearly going to be improving. And clearly as I said on operating cash basis the employees, the third-party contractors, that we are tightening it up and we think around 10% year-on-year reduction we will be able to achieve anyway. So, I think those are the measures which give us confidence and comfort that even if Q1 or Q2 or Q3 is a washout cash wise we will still build up a stronger position by the time the year progresses.

Mukul Garg: In terms of opportunity or potential to bring down the operating cost, you said Rs.60 crores per quarter, do you have any levers to cut your salary cost?

Sanjay Nayak: The way our salaries we have structured now is 80% of the salaries will be fixed and 20% of the salary… I am talking of an average for the company, of course, for senior management, it is almost half and half, in the sense, 55% of the salary is fixed, and 45% is variable, but across the company, if I take the average, 20% of the salary is variable, and in the compensation committee and the board and the company, we have decided that 20% variable will only be linked to the profitability of the company. So, if we do not grow to a certain minimum level, that 20% is an amount which is available to us in terms of the savings of cost. So that is point one. Second thing is there is a lot of variable cost which we have in our services team because in this business, the installation and commissioning, we outsource to our third-party contractors. So, if that business is going to be slow, clearly, we will be able to save our services cost, which by the way were quite significant last year, if you really see our services cost here were something to the tune of Rs.37 crores which is about close to 10% to 15% of our total operating cost. So that cost significantly can come down at least as third-party installation cost. So those are the two big levers in terms of the operating costs. The bigger money outflow actually happens in the case of inventory. By the way, this building inventory actually in one sense assuming if and when business environment stabilizes, is actually an asset because worldwide supply chains are getting disrupted. We have inventory in stock. We can use if customers want quick surveys or quick deployments of a product. We actually have. In fact, for example, I am just highlighting in the last two, three weeks, within India, certain customers said, “You know what, do you guys have inventory of X, Y Z, because I just need critically?” And those are the kind of questions sometimes come to us. So, I think the inventory that we have in hand, as long as we can keep our net outflow and new inventory to a minimum, it will add up to our cash flow situation as the year progresses as well irrespective of how the revenue pans out.

Mukul Garg: Moving on to the business loss, which happened in Q4 due to non-shipping and the purchase order which got delayed, is it possible to quantify the revenue loss, the orders which you already had, which kind of like you guys were ready to ship out, but which were impacted because of COVID-19, if you can break that out and if you can quantify the orders which you were anticipating and which are basically confirmed where the purchase order got delayed?

Sanjay Nayak: Yes, in fact, we basically have that data. I can share it with you. So, essentially around 35 to 40 crores was inventory which was just supposed to be shipped out and it just got stuck, I mean, that is basically confirmed order, confirmed everything, people just could not come to the factory to test or pick up. Another Rs.60 crores to Rs.65 crores were amount which were confirmed order except that they did not physically come to us or in some cases we had the order, but for instance we are supposed to give a bank guarantee against which they give letter of intent we get from our international customer, you submit a bank guarantee and then they issue you a confirmed order against which you ship. But we sent them the bank guarantee to confirm, but during that period, they had a lock out in their country, so, they could not send us the confirm PO. So, if I take that, that was around, as I said, is Rs.60 to 65 crores. So, the two together around Rs.100 crores is what safely we anticipated something that we could have done which actually got pushed out in Q4.

Mukul Garg: If you look at the US market, and you alluded earlier as well, can you help us understand what are the missing parts from here while I understand that you have higher leadership in the local market and you are now trying to partner with local system integrators, but the reality is that you are targeting the market since almost three years, you may want to change the local leadership last year as well, but still it looks like you are seeing continuous degrowth in that market. Is it really worth targeting or do you think it probably makes more sense from a cost perspective to stay focused on the emerging market?

Sanjay Nayak: Very good question and this is something which we have analyzed quite a bit over the last few weeks because since all of us are working from home, we spent a huge amount of time doing a review on this. So, the specific thing, which we found out was that the US market has two challenges for us and which we are continually kind of trying to overcome. Challenge number one was how do you access a lot of customers. Because our stated strategy was go after tier-2 and tier-3, but the tier-3 we found that we are getting a lot of orders which are 30K, 50K, 70K in size, and replicating those orders, requires a lot of this investment, and unless we change our strategy of getting these channels, we are not going to win it. Our hope was that the same guys will buy a lot more, but we found out that they buy in sporadic spurts and the effort to cover such a large customer base is very large. So that was one learning for us with the new sales team coming in place. We have concrete data which we analyze, that is going to happen. The second thing we found out that for the tier-2 operators which are relatively larger deals… and tier-2 of US by the way, could be a CAPEX size of a tier-1 in India, for instance, there by the way, there are those small little features in the products in terms of, we have say 95% of what they need, but just 5% which is very specific to the way they build the network, it is not a customized technology or a non-standard technology, except that the way they build the network versus the way rest of the world builds the network, those 3%, 4%, 5% delta R&D deficiencies were there. And that was one part. The second part we learn in the US market in the tier-2 is unlike in the emerging markets where if you are only short by a couple of features in terms of the product fit, you can still make a sale and ship equipment after completing those delta features, typically US service providers expect all features to be available before the product is considered for lab testing and before issuing a purchase order. So, I think that basically meant that the strategy which we used to do in our R&D prioritization for the rest of the world did not really work for the US because US guys would say, "I agree, it is on a roadmap and it is coming in next quarter. I need to see my lab today before I induct you in or at least I have a closure with you." So, those are the two specific lessons that we have learned. So, we have now taken those two feedbacks, and given as I said we are really in most of the product category, 96%, 97% of the work is done, just a few bits and pieces to be completed which are in the roadmap. We are taking a conscious call to prioritize those features and then address the tier-2 market. I would say it is still a very large market, all the macro elements for success are there, for example, GPON, there is a big market opening up, the competition in GPON is literally two vendors which is Nokia and Calyx. There is really no significant third vendor there. And I think there is an opportunity available because there are no Chinese vendors, there is no price pressure. So, I think it is still a good opportunity for us to attack the US market and win. Clearly, we have not been very successful so far. We understand what is missing both on the sales channel and on the R&D side. And hopefully, as I said, going forward, we should make some progress in the US in the current year. But it has been frustrating, but that is the nature of the beast.

Mukul Garg: Given what we have seen in FY'20, what will be the breakeven revenue for you on a normal year, do you have any sense of what is the minimum amount of sales you need to do in a year to be breakeven on the operating level?

Sanjay Nayak: I think at an EBIT level… because EBIT is a good way to think of because the amortization versus the R&D capitalization washes off, I think around Rs.650 crores is when we will be breakeven is the analysis that we have done.

Mukul Garg: Does this mean that you will not make any profit for next three, four years?

Sanjay Nayak: I would not say that, because predicting next three, four years today is difficult because of all the uncertainty, but from whatever things we are doing, we clearly see a path to profitably as soon as we can. If the environment clears up in the near-term, we should be able to see more progress in this financial year itself. However, if the environment continues to be bad for the next two quarters or three quarters, I do not know, yes, it will be a challenge for us. And that is when I am saying we are keeping all the levers available to us making sure that we either minimize the loss or make sure that at least we can get to break even under even the worst situation which is what we are ensuring from cash flow and P&L perspective.

Moderator: Thank you. The next question is from the line of the Vikrant Kashyap from KDR Securities. Please go ahead.

Vikrant Kashyap: You said Rs.300 to 350 crores of receivables are expected in next year. How much is from BSNL?

Sanjay Nayak: If you see the breakup of the Rs.456 crores of receivable that we had on March end, around Rs.190 crores was BSNL, out of which Rs.120 crores is receivable this year and Rs.70 crores is retention money, balance about Rs.103 crores or Rs.105 crores is international, which almost everything should be collected because it is just a question of getting due and the rest Rs.90 crores or so is from other government customers which again we believe that around Rs.60- 65 crores is collectable during the year and remaining will be retention money and the rest is private customers of around Rs.70 crores, out of which Rs.60-65 crores should be collected, another Rs.5 crores or so will be retention money. So, that is kind of the broad breakup of the receivable. And out of the Rs.120 crores of BSNL, we have received around 12.5 crores this month as on date.

Vikrant Kashyap: So, have we accounted Rs.120 crores and Rs.60 crores in the Rs.350 crores that we are expecting to cover in FY'21, because a lot of your cash inflows are depending upon this amount since we are not expecting too much of business?

Sanjay Nayak: The other government is not at all at risk, because that is a payment which we are getting. While I call it government in some cases, many times it is due from system integrators. A lot of that money is not at a risk in that sense. The BSNL money of Rs.120 crores, again, as I said, I do not see any risk in terms of payment, I just see risk in terms of delays. So even at different scenarios, one can model. If we get 50% of that money… we have got some percent already right now and some as we know is in the process, we were expecting to get actually much more in Q4 itself. And we are in touch with all the authorities and we get assurance that it is getting paid, do not worry. So even if at different scenarios of different amounts of money that we get from BSNL, independent of that, we still seem to have a cash flow plan, which seems to support the comment that we made earlier that independent of anything else even in the worst case with BSNL, or government money come into a trickle, we should be able to improve our cash flow position before the end of the year because as I said, combination of inventory usage and the collection that we are talking about.

Vikrant Kashyap: Since you talk about a lot of cost cutting measures that are taking place, but still you are going for R&D spend, because I understand you need to do product optimization as well and you need expenses on that, can the expense will be similar to what we have done in the previous years or you have given some thought over there that you need to do R&D on certain products where you see future revenues, have you planned out something on R&D side also?

Sanjay Nayak: Yes, in fact, I alluded to that when I mentioned earlier. First of all, on overall basis, we think about 10% cost savings across the board, we should be able to make just by tightening our operation expenses as well as keeping some part of the salary linked to the company's success. So that is something which will anyway happen. But with the amount available, we are taking a much harder look in terms of all our R&D investments and say, which are the products and which are the categories in which we are winning and we can win long-term, so let us concentrate our R&D efforts more on those things, and things which are not producing as much, we need to kind of either keep them in a holding pattern or over a period of time reduce. So that is kind of the philosophy we are following in terms of making sure that the bang for the buck for whatever R&D we are investing is maximized because of a) the places where we are winning and b) because of the market uncertainty, because doing prospective R&D for new geographies where we have not won much business, may not be a very prudent thing to do at this stage.

Moderator: Thank you. The next question is from the line of Hardik Shah, an individual investor. Please go ahead.

Hardik Shah: For a business size that we have specially this year, 50 million and overall, if I see last three, four years around 100 million, is it prudent to say that we kind of go back, we have too much of a diversified portfolio and also too much larger geographical base and kind of relook at stuff and see if we have a niche market strategy in terms of market segments and product portfolio?

Sanjay Nayak: Absolutely, Hardik. In fact, what we are doing is really matching out our market success with a product success and making sure that both of them are synchronized. So, rather than investing into products assuming that we will find a customer somewhere, the prudent thing that we are thinking right now is that among the different things we are doing… of course, it is not a good to overnight shut something off, but the better thing to do is let us make sure that where we are winning either because of the product capabilities combined with the market capabilities, we invest a lot more and we concentrate our bets on to those things. And if we are not being able to be more successful, we really figure out if that is the space we want to play. So, I think this year, we are not increasing any geographical targets . The US is the one which I already talked about in terms of how we are changing the strategy. So, I do not think we will be increasing our sales investment in the US. Our objective is to make sure that the sales investment in the US actually becomes worthwhile. We will not be doing too many product changes just for the US market, we will be picking and choosing which are the opportunities that make sense and actually attackthose. But really in the broad market we are looking at, say for example, tier-1 customers in India, if we have say 95% features in our product, it is better to make sure that we complete those features which are common across our larger customer base, prioritize them higher, and actually ensure that they get delivered and done quickly. So that is the kind of approach we are adopting that by concentrating our bets both in terms of the market and the product, to ensure we achieve better results. Otherwise we will have way too many countries to go after and way too many products to engage.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Tejas Networks CEO, Mr. Sanjay Nayak for closing comments.

Sanjay Nayak: Thank you, everybody, again. Your questions were all very insightful. And I know we actually had a tough Q4 and not so good FY20. Given the situation, we understand what we need to do, we are very conscious of the current COVID environment and the uncertainty it has and we believe that cautious is the word to be more used in an operative sense. The macro environment is still good, but we have to ensure that from a cash flow perspective we are prudent, in our investments and as the management team we are doing our best to make sure that we follow that principle. And as and when business opportunities open up, we feel that we will be ready to to scale up and grab them by taking the right actions today. . Thank you again for joining the call.

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