



**TEJAS NETWORKS LTD**  
**EARNINGS CALL PRESENTATION**  
**Q1FY21**



# 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.*

# Q1FY21: Key Updates

- **Financial Update**

- Q1 21 Net Revenues: Rs. 77.4 Cr (YoY decrease of 50.6%)
- Q1 21 PAT: (Rs. 9.8) Cr; Operating Cash flow: 10 Cr
- Debt-free company. Cash and cash equivalents of Rs. 272 Cr
- Good order inflow of Rs. 188 Cr. Order in hand of Rs. 593 Cr (best in last 8 quarters)
- International revenues: 53% of total

- **Sales Update**

- **Q1 revenues were low due to lockdown restrictions on account of COVID-19**
  - Could not ship some of the orders in hand, due to delays in customer acceptance and logistic challenges
- **India Government** revenues was weak (YoY decline of 52%)
  - BSNL/Bharatnet projects are delayed
  - While revenues in Critical infrastructure segment were low, new order inflow was strong
- **India Private** revenues were weak (76% YoY decline)
  - Shipments deferred due to lockdowns
  - We secured new application wins for our FTTX (xGPON products) with 2 Tier-1 operators
- **International** business was strong (52% YoY increase)
  - Won new orders of 1 Mn+ each, from 3 different customers across geographies
  - 6 new international customer wins
- **Run-rate business (India-Private + International) was 86% of total**

- **Well positioned for opportunities in the emerging post-COVID, geo-political environment**

# Financial Update

	Amount in Rs. crore except EPS		
	Q1 2021	LTM	FY 2020
Revenues (Net) <sup>1</sup>	77.4 (YoY -50.6%)	300.6(YoY -62.5%)	379.8 (YoY -56.7%)
EBIT	-13.2 (YoY -299.4%)	-184.3(YoY -301.1%)	-164.5 (YoY -226.2%)
PBT <sup>2</sup>	-9.8 (YoY -195.6%)	-158.5(YoY -246.0%)	-138.6 (YoY -192.4%)
PAT	-9.8 (YoY -266.8%)	-252.7(YoY -333.9%)	-237.1 (YoY -261.0%)
EPS	-1.06 (YoY -266.5%)	-27.43(YoY -332.4%)	-25.76 (YoY -259.8%)

## Notes:

1. The Revenues (Net) are net of taxes (excise duty/GST) and pass through component sale to our contract manufacturers.
2. Lower revenues resulted in PBT loss, since majority of our costs other than cost of material are linked to manpower and are quasi-fixed

# Key Financial Indicators

Particulars	Amount in Rs. Cr	
	Q4-FY20	Q1-FY21
Cash flow from Operations	(2)	10
Net Worth	1,081	1,073
Inventory	252	238
Trade receivables	456	436
Net working capital <sup>1</sup>	540	531
Cash and Cash Equivalents	280	272

- **Inventory decreased by 14 Cr to Rs. 238 Cr**
  - Expect to consume a large part of the existing inventory over the next few quarters, based on orders in hand
- **Trade receivables reduced to Rs. 436 Cr**
  - BSNL/Bharatnet collection continue to get delayed
  - Some delays from other customers due to COVID-19
- **Working capital decreased by Rs. 9 Cr in Q1**
  - Payables reduced by Rs. 14 Cr
  - Use of existing inventory and expected collections will continue to improve our working capital during the FY
- **Cash Position decreased by Rs. 8.5 Cr in Q1**
  - We expect cash position to improve on a quarterly basis during the rest of the FY
  - We are debt-free, with cash and cash equivalents (incl. investment in liquid mutual fund) of Rs. 272 Cr

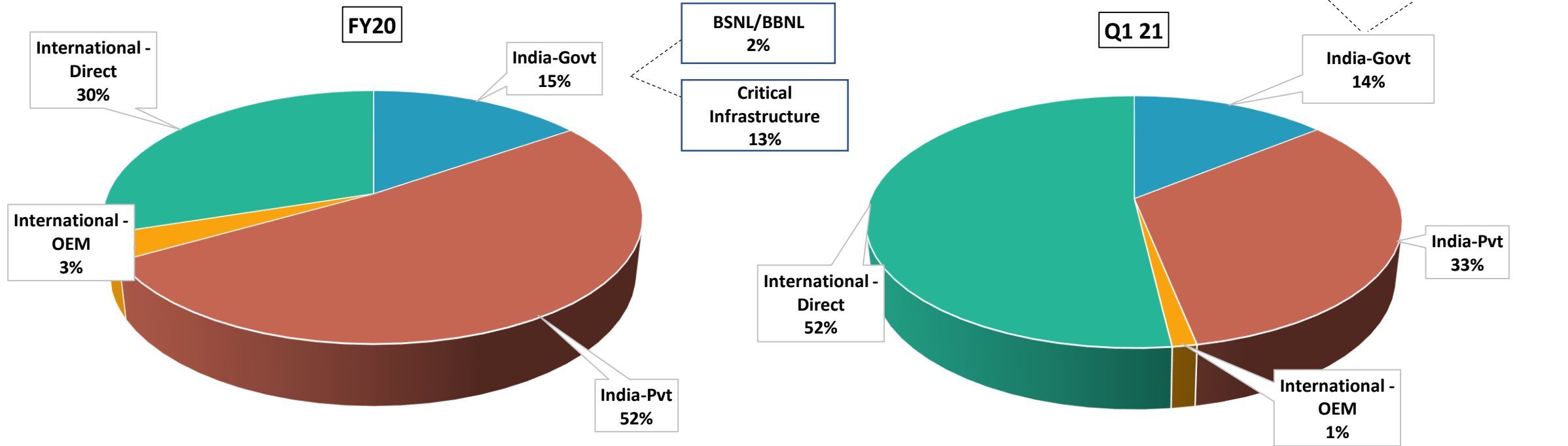
1. Cash and cash equivalents, investment in liquid mutual funds, Other Bank balances in current assets, and Borrowings in current liabilities are not considered in computation of Net working capital

# Update on COVID-19 impact on our business



- **Business Continuity: short-term challenges expected to continue**
  - We have been providing 24x7 support to all our customers and ensured them to maintain network uptime of >99.999%
  - There were some impact on operations and revenues due to lockdowns and travel restrictions
  - We implemented Work-From-Home for large majority of our employees and ensured health and safety of those coming to office/factory
- **Telecom Networks have proven to be mission-critical. Sharp rise in data traffic seen across the world**
  - Increased bandwidth consumption at homes due to WFH and Learn-from-Home, video entertainment, social networking etc.
  - To get superior broadband experience, customers prefer Fiber-based broadband Vs. mobile broadband
  - Operators are offering higher-speed home broadband connectivity and upgrading the capacity of their metro networks
- **Increase in orders from existing customers**
  - xPON (for FTTX) and Metro optical spending is expected to be strong
  - Fiberization will continue to increase as telcos invest in enhancing their wireline broadband infrastructure and augment the reach and capacity of their 4G/5G networks
- **Orders from new international customers are getting delayed**
  - Travel restrictions delaying lab demos and field trials for new customers
  - Some of the customers prefer to maintain status quo of their suppliers, till COVID situation improves
  - Effectively reaching out to customers via webinars and virtual meetings

# Revenue By Segments



India-Pvt + International contributed to 86% of total (YoY decline of 50% for Q1 21)

International revenues had a YoY increase of 52%

Focus is to increase run-rate business

- **Government Accounts**
  - BSNL/Bharatnet
    - Govt. has announced plans to increase Bharatnet coverage from 125,000 to 250,000 villages by March '21 and provide 500,000 broadband connections to villages
    - Govt. has approved a financial package for BSNL, under which capex is provided to roll out a pan-India 4G network. This will present us opportunities in tenders for upgrading their optical backbone, backhaul as well as 4G radio network
    - Opportunities in state-led Bharatnet project for Telangana (business won via SI) and Tamil Nadu (under tendering)
  - Critical Infrastructure
    - Received new orders for defense networks, smart cities/campuses from our SI partners
    - Opportunities in new tenders from Railtel, Powergrid, Oil & Gas, Metro and Smart cities
    - We have a strong order backlog and also a good visibility of new orders
- **Private Accounts**
  - With increasing ARPUs and pent-up demand for broadband services, capex in wireline broadband segment is expected to be robust
  - We have won new application for xPON-based home broadband and signed rate-contract with 2 Tier-1 operators, which is expected to give us run-rate revenues over the next few years
  - Network expansions in the near-term are happening at a slow pace, due to various restrictions and logistics challenges imposed because of COVID
- As a leading India-based equipment vendor, the emerging geo-political situation and Government's focus on "Atmanirbhar Bharat" provides us with a favourable environment



- **Geo-political issues motivating customers to de-risk and diversify their supplier base**
  - We expect to increase our wallet share from customers where we have incumbency
- **Africa and Middle East**
  - Increased broadband penetration and build-outs for web-scale companies is driving growth for optical equipment
  - We are seeing good traction for our DWDM, xPON-based FTTX and converged access solution (GPON + Wireless)
  - Good order visibility for FY21 from existing customers in Africa.
  - Won multi-year, multi-million dollar rate-contract with 1 new customer in middle-east
- **South and South East Asia**
  - Good order visibility for FY21 from existing customers in SE Asia
  - Won 1 Mn+ order from a new customer in South Asia
- **North America**
  - Business in Q1 was slow due to COVID-19 situation and Q2 is expected to be similar
  - Mexico: Completed successful trials for new application with a major customer. Orders expected in 2H.
  - USA: Increasing use of channel partners to access smaller customers. Submitted many bids to Tier-2 and Tier-3 operators. Delays in decision making from customers, due to inability to complete lab-demos and field-trials.

# Where are we winning

## Home & Office Broadband

Deliver high-speed broadband connectivity on optical fiber, fixed wireless and copper to residences, businesses & institutions

*Products: GPON, PTN, Fixed-LTE, Ethernet Switches*



## Metro Capacity Expansion

Cost-efficient solutions to upgrade bandwidth in Metro and Core networks

*Products: DWDM, OTN*

## Critical Infrastructure

Seamless network transformation from legacy circuit to packet in power, rail, oil & gas, defence

*Products: Next-gen SDH, PTN, DWDM, Ethernet Switches, GPON*



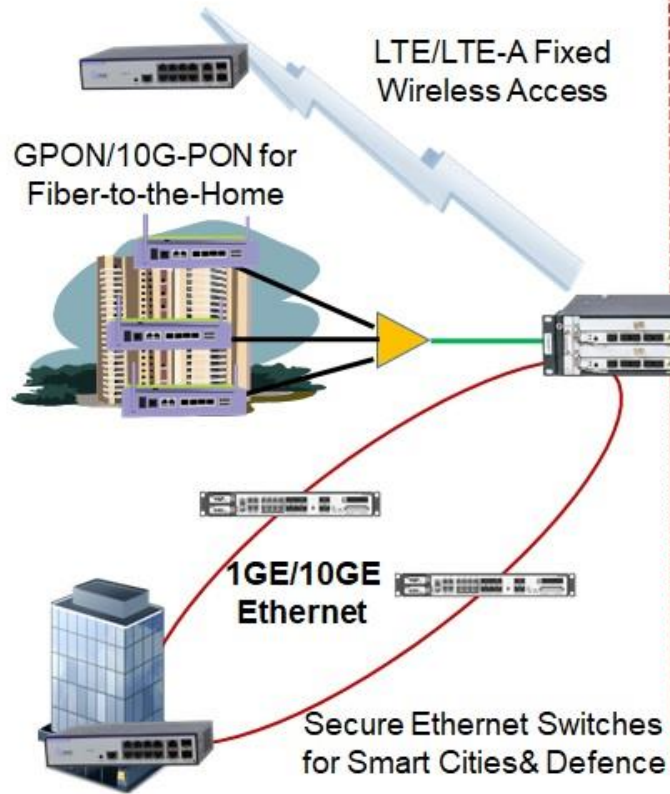
## 5G-Ready Mobile Backhaul

High-performance optical crosshaul solutions to cater to increased fiberization, densification & virtualization of 4G & 5G Networks

*Products: PTN, GPON, OTN, DWDM*

# Product Differentiation through Innovation & R&D

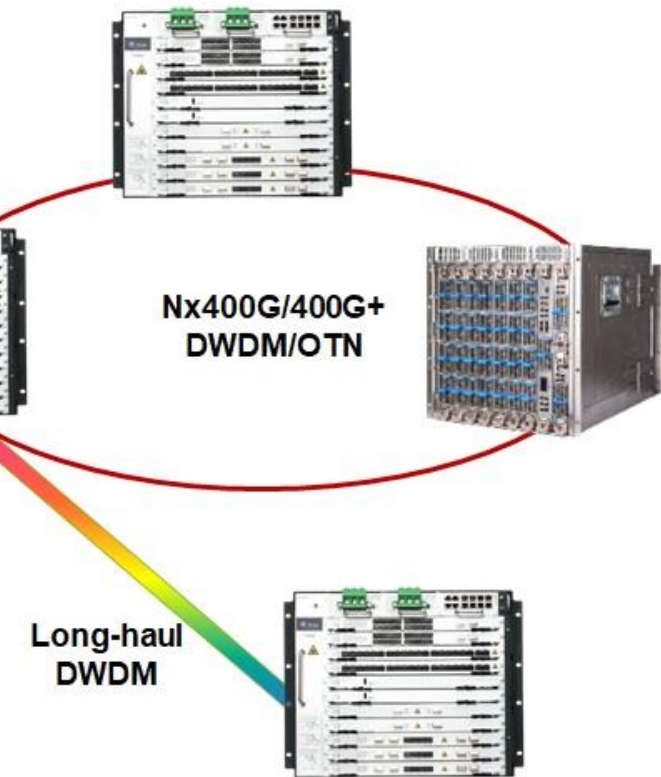
## Broadband Access (xPON, LTE, Ethernet)



## Optical Transmission (PTN & OTN)



## Metro Core & Long-haul (DWDM & OTN)



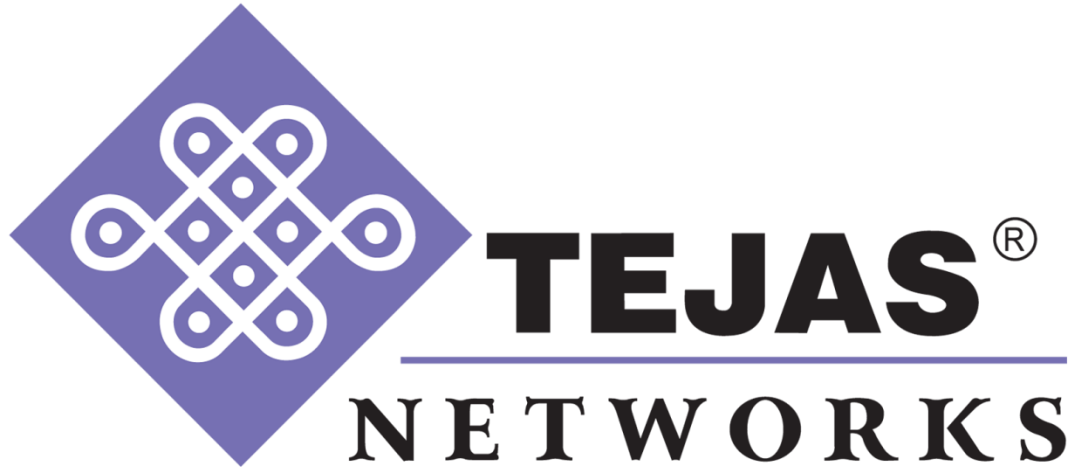
- Complete portfolio for broadband (wireline and wireless), metro & core networks, under a common management
- Over 50% employees in R&D with strong multi-disciplinary skillsets; 349 patents and 300+ silicon IPs
- Innovative Software-defined Hardware™ approach enables cost-efficient R&D and faster time-to-market

# Well positioned for “Atmanirbhar Bharat” in telecom

- **Sustained R&D investments have increased our addressable market**
  - **End-to-end Optical transmission products**
    - Covers entire range from Megabits to Terabits on latest technologies- DWDM, Packet Transport, Next-gen SDH, OTN
    - Software-differentiated: Common Management, Flexible, SDN-support
  - **Full-range of fiber-based FTTx products based on latest GPON/Next-gen-PON**
    - Technology: GPON (Gigabit Passive Optical for 2.5G) to NG-PON (10G). Complete solution of OLT, ONT as well as NMS
    - Applications: Home broadband, Enterprise Connectivity, 5G-crosshaul
  - **LTE based 4G wireless RAN (radio network), upgradable to 5G**
    - Technology: LTE (4G/5G)
    - Applications: Fixed Broadband, Mobility
  - **Secured Ethernet Switches and Routers**
    - Capacity: Gigabits to Terabits
    - Application: defence, video surveillance, enterprise/campus networks, CPE
  - **Full ownership and control of all software, hardware, design and IPR as well as 100% local manufacturing**
    - Meet all Make-in-India requirements
- **Proven “product” provider for System Integrators**
  - Leading Indian company with proven track record of executing on large-pan-India projects across government and private network networks (All Private telcos, BSNL, Bharatnet, Defense, Power, Gas, Oil, Metro, Smart cities etc.)
  - Successful partnerships with leading SI- across private sector as well as PSU
  - Conscious decision to minimize System Integration (SI) business and instead focus on developing products and solutions

# Key Takeaways

- **Q1 revenues adversely impacted due to COVID-19**
  - Could not ship some of the orders-in-hand due to delays in customer acceptance and logistics issues because of lockdown
  - International was 53% of total revenues. Won new international orders of 1 Mn+ each, from 3 different customers across geographies
- **Good order inflow of Rs. 188 Cr**
  - Our order book increased to Rs. 593 crores, highest in 8 quarters
  - Selected by multiple Tier-1 operators for our GPON/FTTX products
- **COVID-19 challenges and opportunities**
  - We have been able to ensure business continuity, customer support and R&D operations, despite lockdowns
  - Short-term challenges will continue in the form of delays in customer orders, disruptions in operations and delays in winning new customers
  - Data traffic on networks has surged with Work-From-Home, Learn-From-Home, Video-on-demand etc., becoming a part of the new normal
- **Sales focus is to increase marketshare in existing customers in India as well as International**
  - Secure more business from our existing customers by winning new applications. Multiple successes seen in Q1
  - Telcos are increasing their investments in home broadband and in upgrading capacity of their backbone
  - Favourable tailwinds because of emerging geo-political environment
- **Well positioned for “Atmanirbhar Bharat”, leveraging our Make-in-India strengths**
  - We have the widest and most competitive range of designed-and-made-in-India telecom products
  - We have existing relationship with leading System Integrators (SI) in the country
- **Cash position is strong- Rs. 272 Cr cash and zero debt**
  - We are well covered to meet our cash flow-needs for growth and expect to improve our cash-flows and working capital during the year



Thank you!

## Contact Us:

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

Contact - +91(80)41794600