

Tejas Networks Ltd. Earnings Call Presentation (Q1FY19)

24th July, 2018





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.



Q1 Financial Update

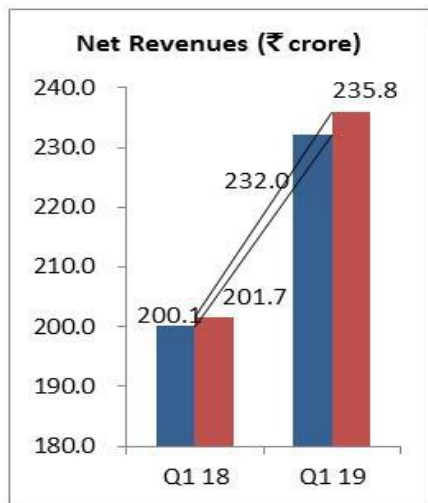
	Q1 2019
Revenues (Net) ¹	232.0 Cr (QoQ 135.1%; YoY 16.0%)
EBITDA	62.5 Cr (QoQ 482.0%; YoY 38.9%)
Operating Profit ²	45.3 Cr (QoQ NA ² ; YoY 61.1%)
PBT	51.6 Cr (QoQ 596.0%; YoY 100.1%)
PAT	45.0 Cr (QoQ 54.9%; YoY 120.3%)

1. The reported revenue for Q1 19 are net of GST, however revenues of Q1 18 are inclusive of excise duty and are not comparable
The Revenues (Net) are net of taxes (excise duty/GST) and pass through component sale to our contract manufacturers

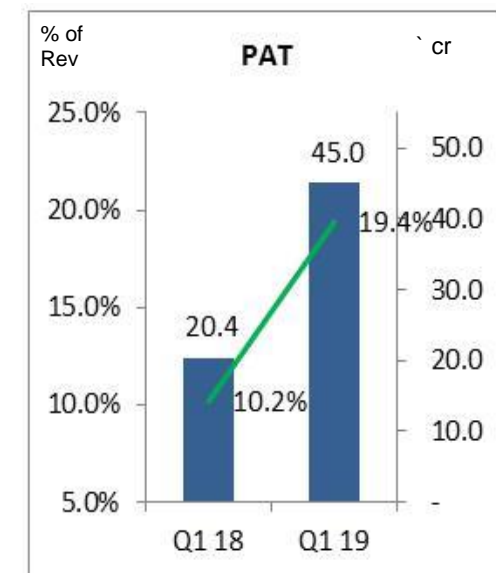
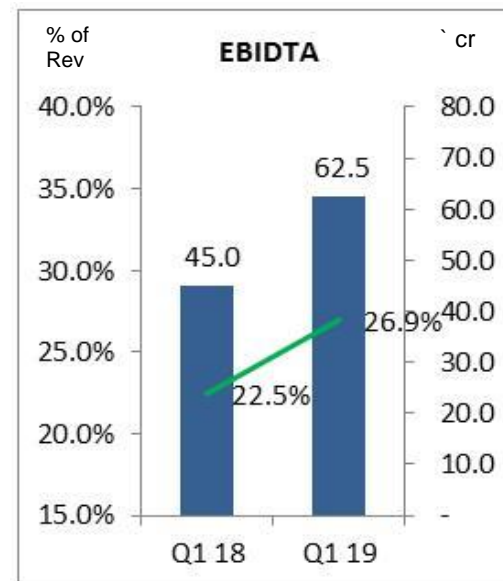
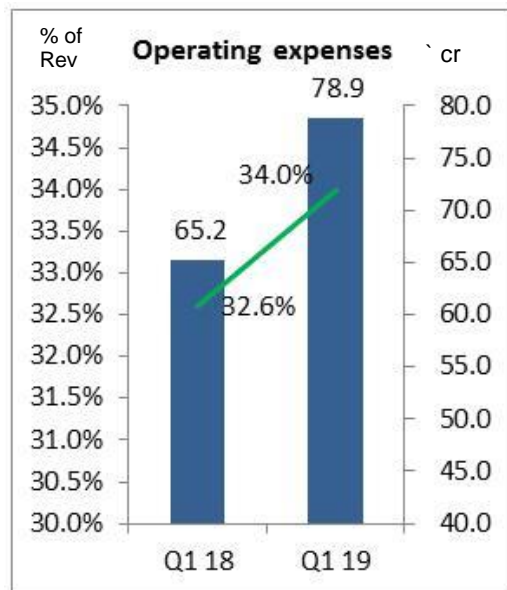
2. *Operating Profit for Q4 18 was negative*



Financials: Q1'19 vs Q1'18



■ Revenue (net of taxes and component sales)
■ Revenue (net of taxes)



- Net revenues grew by 16.0% on YoY basis
 - India contributed to a large portion of Q1 revenues
- Operating expenses (including depreciation) for Q1 grew by 20.9% on YoY basis
 - Increased employee benefit expenses on account of headcount increase primarily in R&D and Sales
 - R&D- expenses increased 37% YoY
- EBIDTA grew by 38.9% on YoY basis and as a % of net revenue, from 22.5 % to 26.9%, on account of increased gross margin
 - Gross profit margins increased due to better product mix during the quarter
- Profit before tax increased by 100.1% on YoY basis and Profit after tax increased by 120.3% majorly due to increase in EBIDTA and other income and reduction in finance charges



Key Financial Indicators

Amount in ` crore

Particulars	Q1 18	Q1 19	Variance
Revenue from operations ¹	219	236	8%
Revenue from operations (Net) ²	200	232	16%
EBIDTA	45	63	39%
Operating Profit	28	45	61%
Profit after Tax	20	45	120%
EPS (Basic) `	2.78	4.95	78%
EPS (Diluted) `	2.65	4.70	77%
Cash flow from Operations	(17)	5	22cr
Net Worth	1,052	1,205	153cr
Borrowings	15	2	(13cr)
Net working capital ³	505	359	(146cr)
Net working capital as % of LTM Revenue ³	50.22%	39.73%	(1049bps)

- Working capital as on Jun 18 has increased to Rs. 359 crore from Rs. 323 crore as on Mar 18
 - Working capital days increased by 4 days to 145 days as on Mar 18
 - Compared on YoY basis, working capital has reduced by 38 days
- DSO increased to 167 days from 135 days as on Mar 18
- DPO increased to 108 days from 99 days as on Mar 18
- Inventory days decreased to 67 days from 83 days as on Mar 18

1. The reported revenue for Q1 19 are net of GST, and revenues for Q1 18 are inclusive of excise duty and are not comparable

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

Corporate Update



● Team

- 702 employees, 51% in R&D
- Hired Head of Worldwide Customer Support – Ranajit Hajra (ex-Nokia/ALU)

● Awards Won

- “Best Exporter” award in Special Category (Gold) from Federation of Karnataka Chambers of Commerce and Industry (FKCCI)

● Patents, IPs and Standards

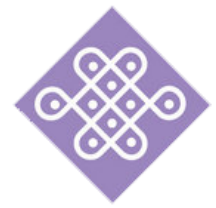
- Cumulative 342 patents filed, 78 granted
- Portfolio of 270+ Semiconductor IPs
- Contributed to global 5G/IMT 2020 standards as a part of India’s TSDSI team that submitted new Radio Interface proposal in Cancun, Mexico

● International customer wins

- Added 7 new international customers in Q1FY19 across America, Africa and South East Asia



Smartphone Usage + Internet + Mobile Video → Exponential Data Growth



2008

<5K APPS*



2018

>2MM APPS*

* - on Apple iOS

2009

24%

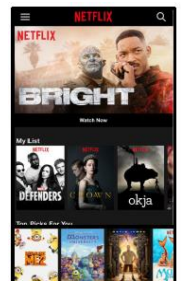


2018

51%

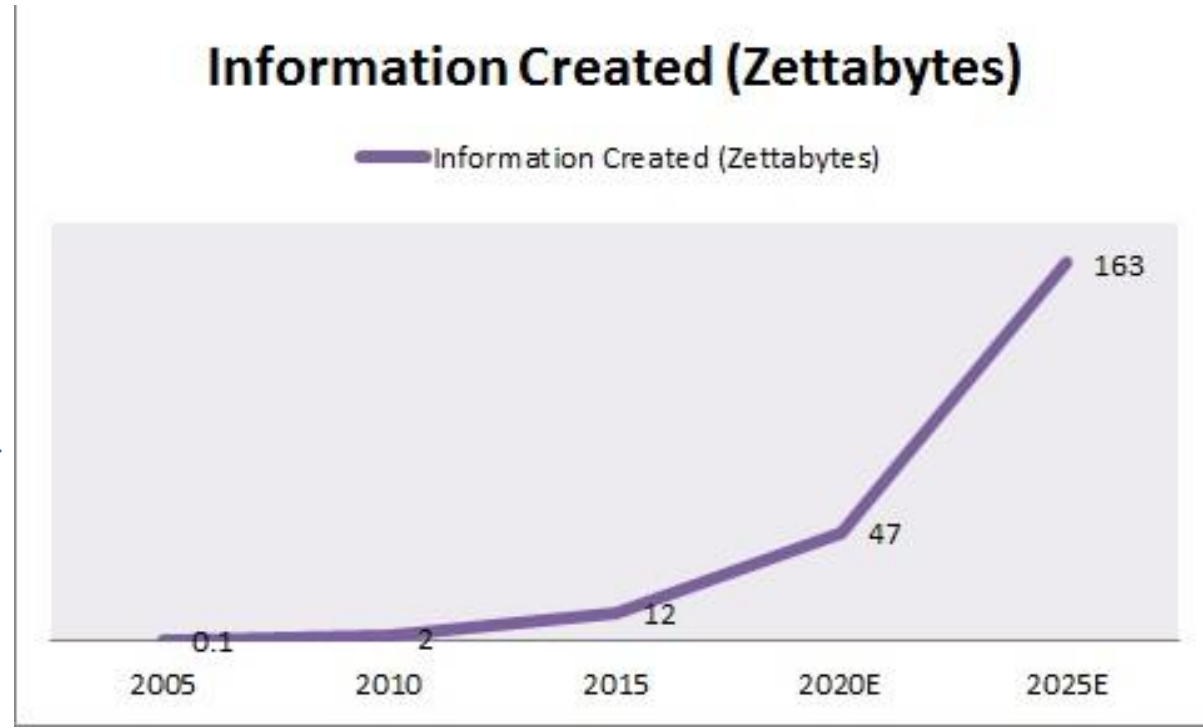
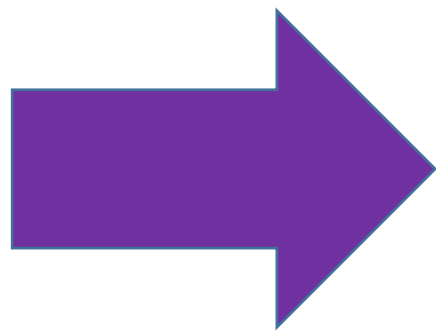
2012

<5 DAILY MINS



2018

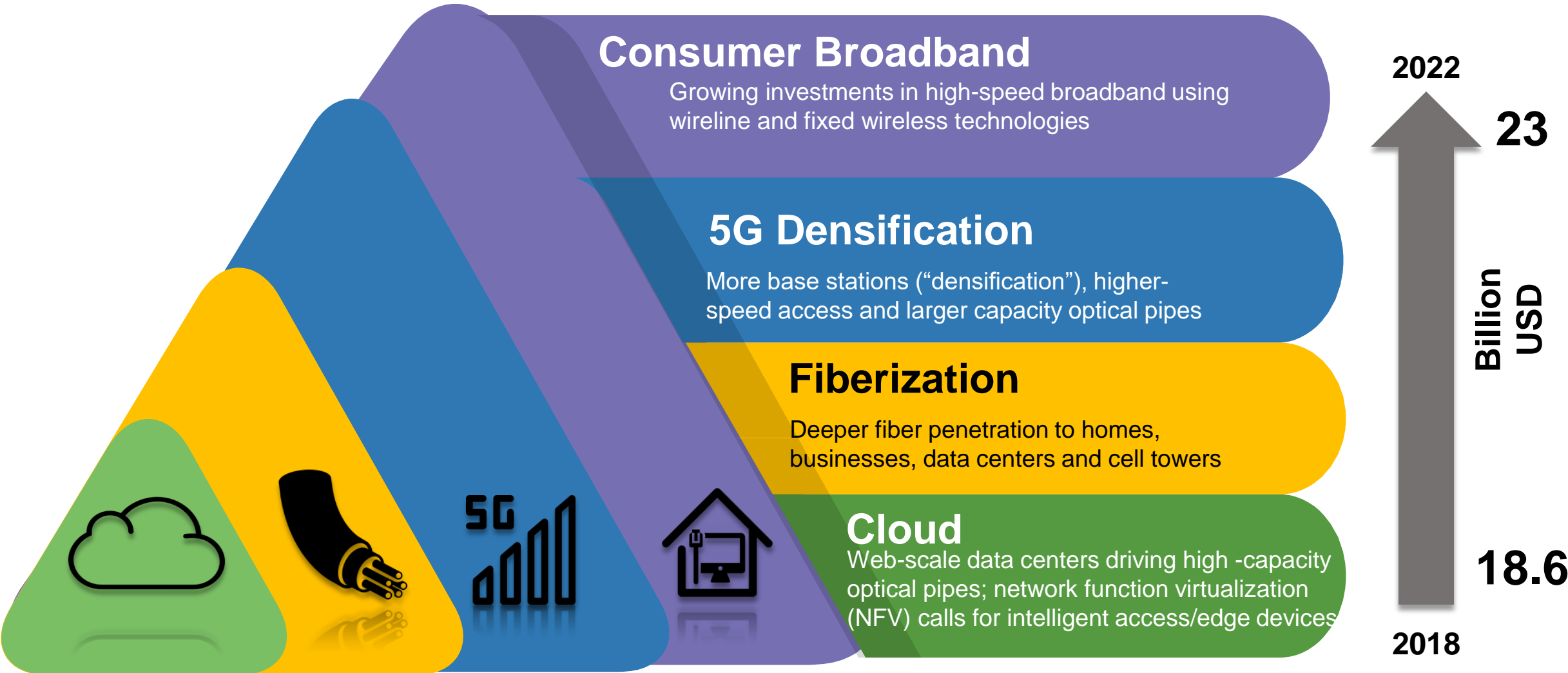
>30 DAILY MINS



Source: Mary Meeker reports and IDC



Macro Trends Driving Optical Spend



Strategic Priorities for Growth



**R&D
Investments**

Enhance current products for higher capacity and more data features

Invest in new products in adjacent areas to target specific applications

Competitive Applications

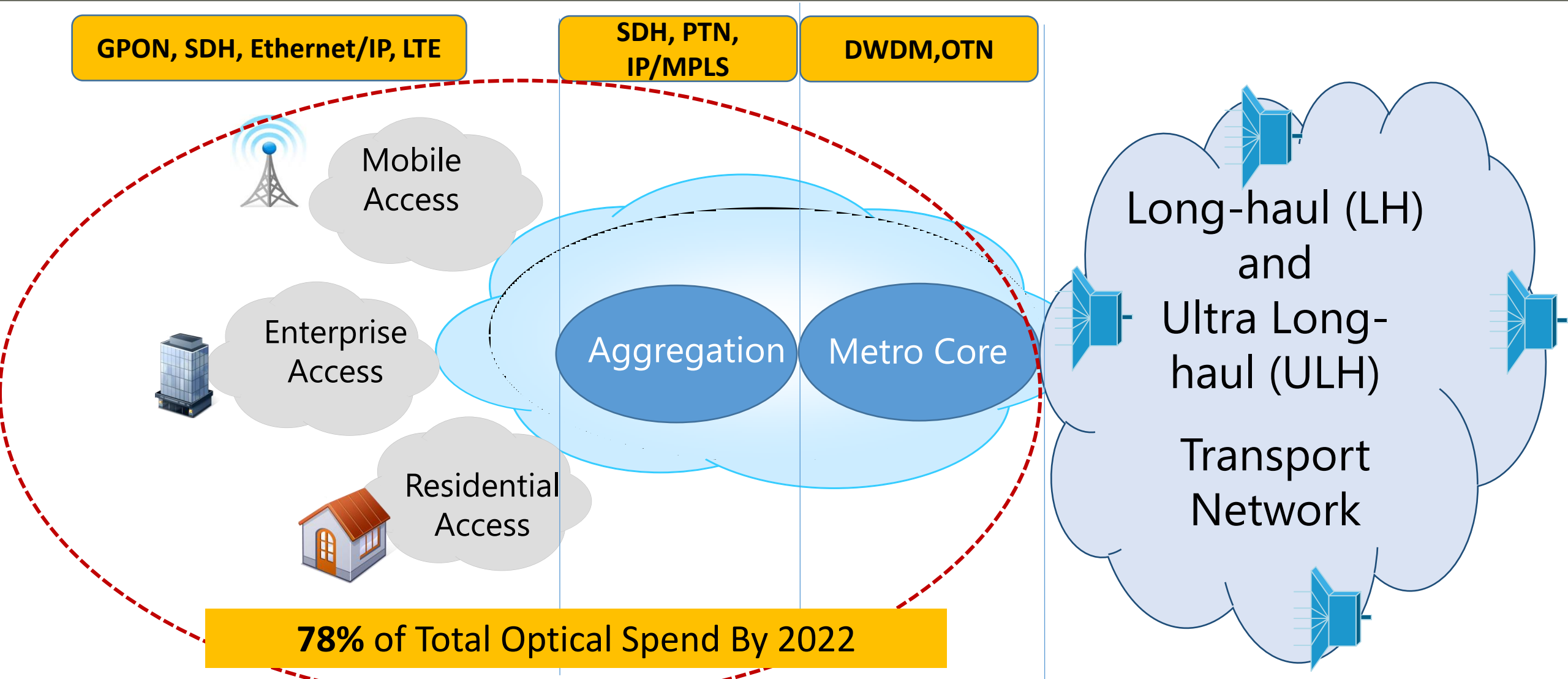
**Sales
Investments**

**India
Use incumbency to benefit from pent-up demand for data & Government spending**

**Global
Increase sales investments in emerging markets (Africa & SE Asia) & America**

Favorable Market Access

Our Focus Areas



Target Applications



Next-gen Mobile Backhaul- 4G/5G

Transport of cellular traffic from base stations to switching centers

Technologies: PTN, CPRI

Bandwidth Services

Bandwidth wholesaling to telcos or enterprises; Data centers

Technologies: 100G/200G DWDM, DCI

Broadband Access & Infrastructure

Delivering high-speed Internet services over wireless or wired media

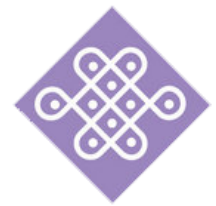
Technologies: NG-PON, 4G/5G FWA

Network Modernization

Migration to next-gen SONET or PTN

Technologies: Circuit Emulation, SDN/NFV

Large Addressable Global Market Opportunity



Global Addressable Market (US\$M)



■ Aggregation	4,667	4,707	4,849	5,005	5,182	5,280	5,416
■ Access WDM	767	824	927	1,034	1,142	1,235	1,360
■ Metro WDM	5,862	6,405	6,763	7,201	7,673	8,191	8,700
■ PON	5,476	5,741	6,121	6,778	6,910	7,172	7,592
■ Global Market Size	16,771	17,676	18,660	20,017	20,907	21,878	23,067

- Large market opportunity-growing from \$18.6 Bn to \$23 Bn by 2023
- Sales focus on countries and regions where we see favourable market access
 - India, SE Asia, Africa, Americas
 - Our addressable market in these geographies is ~\$7 Bn (growing to \$9 Bn by 2022)
- Focusing on products and applications where we have competitive differentiators

Source: Ovum



Data Demand in India continues

India carries the world's most internet data traffic

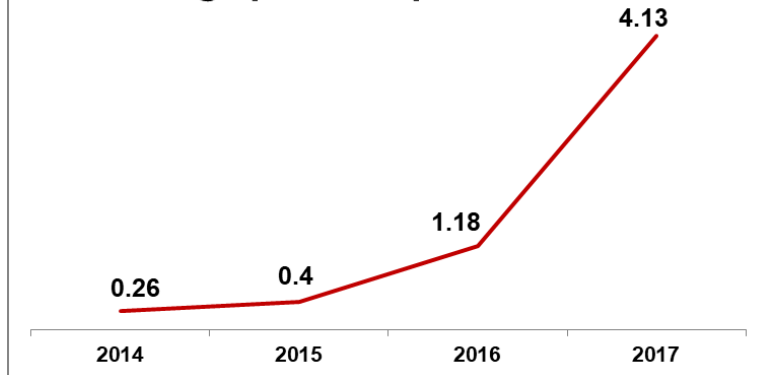
03 April 2018 | Natalie Bannerman

India's data usage grew five times over the last year, with its networks carrying an average of 2.1 exabytes of data per month.

According to the *Times of India* this data amount puts India way ahead of the likes of North America, European Union, Latin America, China, Eastern Europe and the Middle East and Africa.

Source: Capacity Media, <http://www.capacitymedia.com/Article/3798081/India-carries-the-worlds-most-internet-data-traffic>

...has fueled net use... Data usage per user per month



Source: Times of India

- India is #1 in total Internet traffic exceeding 2 exabytes per month; 15x growth in data usage since 2014
- Strong growth in fiber broadband forecasted next few years currently low at 18 million
- Operator consolidation, increasing focus on data and 4G driving optical capex
 - Optical equipment market to grow from \$723M to \$947M by 2022
- Smartphone penetration to reach 70% by 2022

- Draft NTP 2018 approved by Telecom Commission
 - Fiberization of towers to go to 60% (up from 21%)
 - PMA to be strengthened further
 - Emphasis on design-led manufacturing and access to background IPR on FRAND terms
 - Continued Push by Government to nurture a domestic 5G eco-system- we are the leading player
- BharatNet Phase 2 implementation started
 - Center-led as well as state-led model
 - 1 Gbps to every GP, upgradeable to 10 Gbps



India Sales Update

● Government

- Healthy backlog of orders for Bharatnet as well as from Utilities
- We have won multiple tenders for Bharatnet Phase-2 as well as in defense (via System Integrator partners) which are expected to convert to orders in Q2
- Strong pipeline of new tenders- from utilities, Bharatnet Phase-2 (states) and BSNL
- Overall healthy growth expected on YoY basis

● Private

- With data growth, operators are increasing their focus on fiberization and increasing network capacities; resulting in larger % of capex allotted for optical
- We are well positioned to win new applications within our existing customers which will increase our wallet-share
- Expect to have solid YoY growth, based on wins from new applications



International Sales Update

● Emerging markets

○ SE Asia:

- Good pipeline of business from Malaysia, Vietnam, Sri Lanka and Bangladesh
- Applications: Wholesale Bandwidth, Enterprise connectivity, Packet Transport, Broadband Infrastructure
- Strong YoY growth expected

○ Africa

- Increased sales investments has helped increase our funnel
- Applications: Wholesale Bandwidth, Alien Wave DWDM, Enterprise connectivity, Packet Transport, Broadband Infrastructure
- Strong YoY growth expected

● Americas

○ USA

- Increased sales investments
- Applications: Focus on network modernization, SONET replacement and utility opportunities
- Multiple customer engagements across Tier-2 and Tier-3 accounts with increasing funnel
- Order flow expected to pick up in 2H of FY

○ Mexico

- Increased local sales investments resulting in stronger pipeline
- Applications: Packet transport, Enterprise connectivity, DWDM
- Strong YoY growth expected

○ OEM

- Expected to stay flat or marginal increase



Summary

- Strong start to FY19- healthy revenue and profitability growth
- Business pipeline for FY19 is robust across India as well as International
- Data/4G is driving demand for optical equipment; 5G will accelerate it
- We expect to see strong growth momentum in our focus geographies
- Unique business model
 - Sustainable profitability in a tough industry, using asset-light business model, India-based R&D and focused sales strategy
 - Technology leadership leveraging software-defined hardware architecture
 - Potential to become a strong global player in the new 5G eco-system