



**“Tejas Networks Limited
Q3 FY '26 Earnings Conference Call”**

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MODERATOR: **MR. MOHIT MISHRA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Tejas Networks Limited Q3 FY '26 Earnings Conference Call hosted by ICICI Securities. 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 star and then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Mohit Mishra from ICICI Securities. Thank you and over to you, sir.

Mohit Mishra: Thank you, Sagar. Good evening, everyone. Thank you for joining on the Q3 FY '26 results conference call of Tejas Networks Limited. We have the management of Tejas Networks on this call represented by Mr. Arnob Roy, Executive Director and COO, Mr. Sumit Dhingra, CFO, Dr. Kumar N. Sivarajan, CTO, and Mr. Sanjay Malik, Chief Strategy and Business Officer. I would like to invite Mr. Arnob Roy to initiate with opening remarks, post which we will have a Q&A session. Thank you and over to you, sir.

Arnob Roy: Thank you. Welcome, everyone, to our quarterly earnings call. In Q3, we had a revenue of INR307 crores and the revenue was driven largely by the sale of wireline products to India private operators and to international customers.

We have multiple trials ongoing for our wireless products, both in India and international markets. Many of them started in Q2 and many of them have progressed to the commercial negotiation stage and are expected to close in the coming months. Before we go to an extended commentary on the quarter, I would like to hand over to our CFO, Sumit, to walk you through the details of our financial numbers.

Sumit Dhingra: Good evening, everyone. Wish you all a very happy new year. Our results for the quarter Q3 FY '26 were revenue of INR307 crores compared to INR262 crores of revenue in previous quarter. This is a growth of about 17%. Profit after tax for the quarter was negative INR197 crores and order book at the end of the quarter stood at INR1,329 crores compared to INR1,204 crores in the previous quarter. Revenue broadly comprises from Indian customers about 85% and international about 15%.

The order book is predominantly India as of now with about 92% from the Indian customers. The EBIT for the quarter was INR239 crores negative compared to INR394 crores of negative EBIT in the previous quarter. I think expenses for this quarter mainly include provisions for past service costs related to gratuity and compensated absences on account of the new labor code that was notified recently and warranty expenses of INR24 crores based on potential fault rates, repair requirements and the warranty claims.

A bit on the balance sheet side, our inventory for the quarter broadly was at a similar level as compared to the previous quarter at INR2,363 crores. Trade receivables at the end of the quarter were INR3,284 crores versus INR4,026 crores in quarter two. Our net debt at the end of the quarter was INR3,349 crores versus INR3,738 crores in quarter two.

This has come down mainly due to lower working capital which gets partly offset by the capex during the quarter. And the gross debt is put at INR3,885 crores. I think with this, I will hand it over to Arnob to take it forward.

Arnob Roy:

Thanks Sumit. So over to some of the key updates for the quarter as far as our wireless business. While we have not closed some of the deals as of yet, but we are seeing an increased number of international engagements for our 4G and 5G RAN equipment including multiple ongoing POCs which many of them have moved to the commercial negotiation stage. And as I mentioned that we expect some of them to close over the next few months.

We have been selected as a 5G RAN supplier on a section of the Delhi-Mumbai railway corridor for a pilot on the Kavach project that you are all familiar with. It is a network for enhancing the safety of our railway operations. We have multiple wins for our private 5G deployments in India for applications in ports and mines.

And finally for the big BSNL 4G add-on PO for the 18,000 sites that we have been working on for quite some time, we have a delay in the receipt of this PO. And from what we know, from what we hear is that those are still in the works and the expansion order will come to us at the appropriate time for BSNL. For our wireless business, as I said, the quarter was driven largely by shipments for our wireless wireline products.

We won additional packages for BharatNet and we have become one of the largest suppliers of IP/MPLS routers by the number of packages and we won the maximum number of packages that have been announced so far. We received expansion orders from leading private telcos in India for both our WDM as well as our GPON equipment. And then a couple of significant international wins have been winning of WDM backbone network for the build-out order from a broadband ISP in Africa and a network transformation project for our MPLS-TP products for a power sector company in Southeast Asia.

Another significant one was the first win in a sovereign data center networking application in India for our switching products. This is the first time we won a networking application inside a data center where most of our data center business has been through the interconnect application. So, from that point of view, we look at it as a significant first win.

Now, the other updates for the quarter is that our converged broadband product won the Excellence Award for the most innovative product in the conference in a great show in Dubai. We received INR85 crores as PLI incentives for Q4FY25 and cumulatively INR397 crores of PLI for FY25. We filed 26 patents in Q3. Cumulatively, we have filed 613 global patents of which 370 have been granted.

In summary, our long-term outlook remains positive. There are strong drivers for our business are caused by rapid transitions, technology transitions, as well as the demand data growth which is driven largely -- a lot of it is driven by AI applications which are driving a massive growth in traffic in the networks.

We see a lot of expansion of 4G networks and new deployments of 5G networks in emerging markets and which are most of our engagements and POCs that I referred to. Investments in AI data centers are driving huge connectivity requirements, which are driving business for our optical products. We see increased traction for our new products in India and in international markets. The wireless products are starting to lead our international engagements in Europe, Latin America and Africa.

We are seeing increasing adoption of our wireline products in private telcos in India. And apart from our direct engagements, we are seeing increasing engagements with international customers for our wireless products through partnerships with NEC and Rakuten and strategic wins in Europe, Africa and Asia for our optical products gives us a good momentum for expanding our international business.

So with that summary, I'd like to open the floor for questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Our first question comes from the line of Rajakumar Vaidyanathan from RK Invest. Please go ahead.

Rajakumar V.: Hello?

Moderator: Yes, sir. Please go ahead.

Rajakumar V.: Can you hear me?

Moderator: Yes, sir. We can hear you now.

Rajakumar V.: Yes. Sir, my question is, what is the path to profitability? Because you have been reporting significant losses for the last two quarters. And even if I see your last five years, bottom line numbers, you still not made money in the last cumulatively. So, what is the path to profitability if you could just elaborate on that?

Arnob Roy: Yes. As you can see from our financials over the year, we've made significant investments in growing our business, right from investments in our products in R&D and expanding our portfolio with a large set of wireless products. So all of that investment as well as our investments in supply chain and sales have been with the intent and with the expectation and anticipation of growth of our business internationally.

And as you know, last couple of years, a lot of focus has gone into developing the product and execution of the BSNL 4G project. And with that, we have scaled up our systems and processes in our company. So what we expect is on the back of the new products and the success that we've had.

It's like this is the kind of the time when we are kind of, I would say, refreshing our overall business in terms of with our new set of products going to international market and the path to profitability will be when that business really scales up, both internationally as well as in India led by our wireless and wireline products and getting to the critical business size, which would be able to

support the investments that we have made in our business.

So that is really the path. I mean, just growing our business and we see the opportunity for doing that over a period of time. I mean, it hasn't happened as fast as we would all expect. But that was a period of execution of this large project, and it's like kind of, I would say, replanning our business for the next few years.

Rajakumar V.:

Yes. Sir, if you could also indicate a timeline, is it like two years, three years? When do you think you will reach a positive bottom line? Because what we want to know is in the last five years, we have not made any positive bottom line cumulatively. So, are you still in an investment phase or the investment phase is over and now the focus is on, you know, improving the profitability? So, where exactly Tejas is standing?

Arnob Roy:

Yes. So we are in a technology business. So continued investments never stops, right? I mean the technology is a treadmill and it keeps on evolving. So we cannot stop our continued investments in R&D. I mean the growth in investments will be, of course, be tempered based on the business that we realize. But we are not going to reduce our investments over here because of the nature of business that we are in.

But I think when we talk about when we'll achieve that business growth, I think that's going to happen over a period of time. I think all efforts and investments in growing the business are ongoing. And it will be a period of time, but all of us are keen to get to that stage as quickly as we can. And we believe all of that will happen. So that's the reason why we continue to invest and focus on what we are doing.

Rajakumar V.:

Okay. Sir, the second question is with regards to your inventory and the orders in hand, I mean, your inventory is almost twice the amount of orders in hand. So, I just want to know what is the idea behind holding so much of inventory. And also, if you can also comment on when do you think that the debt will be brought to the normal zone?

Arnob Roy:

Yes. So as we have spoken earlier, a lot of this inventory has actually been procured for executing on the BSNL 4G add-on order for which our partner, TCS has received an APO and they've also communicated the LOI to us for that project. And so a lot of this procurement really happened for that. That's why we are sitting on this large inventory.

But since we know that this order is going to come, as you can see in so many announcements from BSNL as well as the Ministry, so we have to hold on to the inventory with the interest of being able to execute on this project as quickly as we can once we receive the PO. So, this inventory will deplete very rapidly once we receive the PO and start executing on that project.

Rajakumar V:

So, the worry is, you have a very long cycle because you are holding inventory for so many quarters and then after that you bill and then the government takes their own time to pay you. So, you have a very long working capital cycle. So, I mean, by design, I mean, Tejas, is not currently the way you guys are executing it. I mean, the shareholders will never see a return in the near future. That's how it's been, I mean, that's how what I, as an investor, I can make out. So, correct me if I'm wrong.

Sumit Dhingra: I think the current inventory, obviously, as we mentioned, is in context of the additional expected order, which does not get reflected in the order book. And while this was expected, I think there have been delays in sort of getting the purchase orders and hence this has led to the accumulation of this inventory.

If you see the years prior, over the last year or the last few quarters, there was a corresponding execution that was going on for the BSNL project and hence the inventory levels continue to be high. Now, to your point on whether the working capital cycles or the inventory cycles are high, yes, they're currently high for this specific reason.

I think, as Arnob earlier pointed out, I think it is important from various points of view that we have an increased share from private and international customers where the overall working capital cycle may be better. And that would lead to improvement in working capital in general. And I think we're also taking steps to continue to improve on the working capital or the inventory management in particular to get this down. So, it's a focus area for us as well and we continue to work on this.

Rajakumar V: Okay, sir. But I think it's a big concern. I mean, I'm not sure whether we're articulating it.

Moderator: Sorry to interrupt, Mr. Rajakumar, for any follow-up questions, may we request?

Rajakumar V: No, I'm not asking a follow-up question. This is just a comment. So, let me, just give me one minute. I will just complete it. So, the concern is this is kind of happening for many quarters. And I don't know what model Tejas has because this model has to earn money for the shareholders at the end of the day.

And you are executing such a big project and still the bottom line is bleeding. And that is really a concern, sir. So, I hope the shareholders are also taken into consideration. Their interests are also taken into consideration when you execute such big projects. That's my comments. Thank you so much for the opportunity.

Moderator: Thank you. Our next question comes from the line of Pranav Kshatriya from Emkay. Please go ahead.

Pranav Kshatriya: Yes, thanks for the opportunity. I have a couple of questions. Firstly, you talked about in the first quarter of this financial year that you would sort of be looking to reach where you were in FY '24 and that is what you would be looking to reach. So, that number and if I compare nine-month number, I think there is a fair bit of gaps. So, how should one look at it?

I understand that Tejas Networks business tend to be very lumpy. But do you think it should be possible to reach that kind of level in this year or that can possibly reach next year? That's my first question.

Second question is that there is a good increase in the number of patents filed and I would like to know a little bit more about in which area are these patents more on the wireless product side or more on the wireline product side? So, those are my two questions. Thank you.

Arnob Roy:

So, I will take the first question and for the second part I will hand over to our CTO, Dr. Kumar Sivarajan. So, FY '24 levels this year, as you can see, our expectation was the execution of the add-on project from BSNL and while that happens we build on our international business for wireless. Since that order got delayed, and we have built the inventory for it, that's the reason why we would see that we have not been able to reach the level of FY '24 yet.

And in this year, I don't think we'll be able to execute the project also because when the add-on order comes, it takes time to build and ship. So, this project, whenever that comes, is going to be executed in the next financial year. So, that delay has really affected our business this year and the transition that our business is going through in terms of really transitioning to a lot more of the Indian private telcos as well as the international operators.

I think that part is going well and we expect to see and I only think that this takes time. So, that's the reason why we are seeing a longer period of time for closing on all those opportunities. But on the positive side, we see all those opportunities to our engagements and we see we are in a market which is growing.

The customer demand, network build-outs, capacity build-outs, I mean all of that, we are in a globally growing market, including India. So, we do see the opportunity of getting to that growth level at some point of time. And I think we have, from an investment point of view and the readiness point of view, we are kind of there for leveraging every opportunity that comes our way.

So, that's the first part. And regarding the patents, I'd like Dr. Kumar to take over.

Kumar Sivarajan:

So, while we file patents in both wireline and wireless areas, the majority of patents are related to 5G advanced and 6G technologies. Specifically, even within that field, these are what are called standards-related patents. So, we closely follow the upcoming standards in 3GPP for 5G advanced and 6G.

Currently, like release 19 is being discussed in 3GPP. And in anticipation of what's going to get standardized, we file patent applications. So, the majority of these patents are in that category. It's mostly 5G advanced and 6G-related patents that are being filed.

Pranav Kshatriya:

Sure. Thank you so much. This is useful. I just have one follow-up on the first part of the question. So, how would you put the performance of Tejas Networks for ex of that BSNL contract? Because I understand that that was one of the main things which is getting derailed. But overall, if you look at whatever plan you had laid out for FY '25, for non-BSNL part of the business, especially given there is a strong rollout, which is happening on the data center where your products could be useful. How do you see that panning out for this year and also going forward?

Arnob Roy:

Yes. So, apart from the BSNL project, which we were planning to execute this year, there were two major initiatives or targets for the business. One was growing our wireline business to the Indian private telcos as well as internationally.

So, that transition is happening well. We are seeing a lot of the business growth this year. Whatever the business that we had this year has been driven by mainly our wireline products. And

we see good adoption of that and good growth of that. So, that part of the business is going very well.

The other part of the plan was, during the year, get ready for a lot more international business, especially for wireless, by getting into the trials and POCs and get to some business closure during the year or early next year, because this is a long cycle and we are a new player in this market.

So, even that part of the thing, I would say, is going very well. Also, if you see, based on the credibility of our performance in BSNL, that's where we got a lot of international partnerships going with NEC and Rakuten and so on. So, those opportunities came to us because of the credibility we built over there.

So, yes, I understand that the BSNL project last year was a huge sharp spike in our business, resulting in a lot of revenues and required a lot of investments from us that gave us the platform to really mature our products, build new products, and take it to the international market.

So, that part of the story has played out pretty well. I think we are quite satisfied with that. The part that has not played out to expectation was the BSNL expansions which is going to happen. We know that's going to happen. That's why we have all the inventory. And also, that is the part that got a bit delayed, and that's kind of showing in our financials.

But once we get past that phase, I think we expect the rest of the business plan to play out as we were hoping to do and planning to do. It's just that the transition phase has been taking a longer period of time than we expected.

Pranav Kshatriya:

Okay. Thank you so much for your answers and wish you all the very best. Thank you.

Moderator:

Thank you. Thank you. Your next question comes from the line of Karan Raja from 54 Ventures. Please go ahead.

Karan Raja:

Yes. Hi. Good evening, and thank you for the update. I noticed that it's been about three quarters since Mr. Anand Athreya resigned from his post as CEO. So, I wanted to understand if there is any urgency in filling that CEO spot and what we can expect from the Board and coming out with a resolution with regard to that?

Arnob Roy:

I think the board is working actively on appointing a CEO going forward. And I think at some point of time soon, there will be a CEO appointment for the company.

But independent of that, I think our business goes on as planned and our regular business operations are not really affected without the filling of that position. So, I think the Board will take its time and is on the project and will be appointing a CEO at some point of time.

Karan Raja:

So, can we expect that in this financial year or is this something that would be in the next financial year?

Arnob Roy:

Yes, it's not in my place to answer that question right now. But obviously, as you can understand

that there would be an active work going on in filling this position. So, I'm not aware of the exact timeline.

Karan Raja:

Understood. The second question that I had was with regard to the delay in the 4G expansion. A couple of calls we had so did know that this delay. Is this delay attributed to the customer side? Is that thing with the system integrators or something to do with TCS?

If you can give us some color on what this delay is attributed to. Because obviously, answering the previous question, you did mention it was a big disappointment for you all as well that this order has not come into execution in this financial year. So, what exactly is this delay attributed to?

Arnob Roy:

Yes, it is mainly to do with the operational readiness of BSNL for rolling out the network. They also had to be prepared with their sites, with site readiness and related aspects. So, that's what is basically holding up the rollout of this project.

And as you know, in multiple forums, both BSNL management as well as the DOT or the Ministry has commented that the expansion is going to happen very soon. So, the only reason right now is the readiness of BSNL to take the equipment and deploy it in the network.

Karan Raja:

Understood. So, is it safe to assume that there is no issue with our products or any integration efforts by our system integrators, which is TCS?

Arnob Roy:

Yes, those are not the constraints in this project.

Karan Raja:

Understood. I think one other question that I had because we had spoken about some of the other wins, the 5G, private 5G across mines and some other locations and also the data center opportunity. Can you please share some light on the market opportunity in these two? What is our right to win there? And what kind of market share are we hoping to achieve in the next maybe 3 years?

Arnob Roy:

Yes, so it's hard to answer the market share part, but we see these new application wins are very encouraging because we're seeing a lot of private 5G wins for deployments in mines and ports and some campuses. So, and having a few set of reference wins in India can help us in marketing and selling this globally as well.

So, our right to win is the products that we have. As you know, our current BSNL product is a 4G upgradable to 5G. So, both our review as well as radios are software and hardware are upgradable to 5G services. So, it's basically the same set of products which are getting deployed for 5G applications because the bands in which they're getting deployed are same or similar to what we have right now.

So, with small adaptations, we're able to meet those bands in which the private 5G rollouts are happening. So, that's one part of it. I talked about the data center application also. As you know, we have our enterprise switching portfolio of products and which we have scaled up a lot to larger products for data center switching as well.

And even though that was not an initial target segment, but now with our new set of products and with those data center opportunities opening up, we saw a good reference win for the networking inside a data center. While the interconnect of data centers, that's the market we are playing all along and our optical products have a very strong play in that kind of applications.

This is the first time we have been inside a data center with our switching products and that's a very encouraging sign for us. So, we are going to try to replicate this win, this solution in as many applications that are accessible to us.

Karan Raja:

Understood, Mr. Roy, but I will have to push the envelope here because obviously, internally, you all would have certain targets that you all would want to hit with private 5G and with data centers. So, if you can share some light as to what even the estimates are because obviously, you all have had a few deployments, you all would know how many such accounts can be achieved in a given year.

So, something that gives us at least the direction in which the company is going or what we are chasing, where we are fighting, at least something that gives us a sense of what are the internal metrics based on which we can judge sales?

Arnob Roy:

So, as I said, we don't have any specific target in terms of how many wins and all those kinds of things. In most of our -- every product line that we have, we go by the engagement that we have, the customer opportunities that we see, and where we find opportunities and how we can pitch our products and solutions.

And we set targets more from overall business growth and business win, not specific to any particular application. And these are new markets that we are getting into. I mean, as you know, our wireless play has been mainly in the macro area for mobile operators, and that's where the larger deals are. The private 5G applications are many in number.

Each of them are relatively small deployments. That is because you can understand the territory or the area over which it is deployed those are fairly small, right? So, the larger deals are, of course, for the Macro, but the good thing is that with this, it opens up a new application for us, the private 5G space.

So, from that point of view, it gives us mileage, credibility, and visibility in this space. So, that's probably the largest benefit. And as I said, as of now, we don't have any target which says that we have to achieve these kind of numbers for using this particular application or the other one. I mean, these are initial wins, and that's the reason why we'd like to share it with you all, saying that these are new applications.

Because on an ongoing basis, the standard applications of mobility or FWA for wireless or for broadband or data center interconnect or metro aggregation, which are ongoing and are driving our business. We thought that these are new significant events that have happened that can open up opportunities. But right now, at this time, we don't have the opportunity to really size up and set targets in this area.

- Karan Raja:** I understand. I would hope that over the next perhaps couple of quarters, once there's more clarity on this, we do have something more concrete. Obviously, a big risk factor for our company is the heavy dependence on a single anchor customer and that anchor customer being a government sector undertaking.
- So, obviously, I would expect that in a couple of quarters when we have a little more experience in these realms, we would have more realistic targets or expectations of our market. Thank you so much for taking my questions. I'll go back in the line.
- Arnob Roy:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Pratap Maliwal from Mount Intra Finance. Please go ahead.
- Pratap Maliwal:** Hello. Hi. Am I audible?
- Sumit Dhingra:** Yes, Pratap, you are.
- Pratap Maliwal:** Yes. Hi, sir. Thanks for taking my question. I just had a question regarding the BharatNet order that we called out that we've won about 7 out of the 12 packages announced so far. And I believe the company's notification said that it will be deploying over 50,000 plus routers. So, I just wanted to understand what would be the approximate order size of the BharatNet cumulatively and over what duration do we see this being implemented?
- Sanjay Malik:** Sorry, what was the last sentence?
- Pratap Maliwal:** Over how many years, yes?
- Sanjay Malik:** So, this particular order is for BharatNet Phase 3 and for all the routing products. I would say implementation period is over next two years. With regards to the order size, I think it's again because it is multiple circles coming from multiple SIs. So, it's a large order size, but difficult to give the numbers.
- Pratap Maliwal:** I understand the point, but see if we called out that we'll be deploying over 50,000 plus routers, I mean, you know that at what rate we'll be supplying, surely you'll have some idea. So, if you can just give us some ballpark figure, not an exact figure, but just some ballpark idea of where the order size could be so that we have more clarity of how much business we can actually expect to come in, how the order book can build up?
- Sanjay Malik:** So, actually there are a few of these, for which we have received the orders and then a few which are in the negotiations still. But because we are working with multiple SIs, it is not from one particular company. So, yes, I'm sorry that it would be difficult to share the numbers on the deal size. Normally, we don't do customer-wise deal size announcements.
- Pratap Maliwal:** So, does that order book currently involve any orders from BharatNet?

- Sanjay Malik:** Yes, the current order book, which was shared by our CFO Sumit, that includes BharatNet orders also.
- Pratap Maliwal:** And we expect a significant ramp up or is it like we've got the initial orders and we expect a large ramp up or it's just some color on that, even if it's purely qualitative, just so we can understand the direction?
- Sanjay Malik:** So, we got the orders for seven packages as we mentioned and a few more are still expected.
- Arnob Roy:** So, I also wanted to add that this is for connecting the network at the block level. And this is forming the backbone of the BharatNet Phase 3 network. So, there's the last mile of BharatNet, which is to be built and that will largely be built using GPON equipment and so on. So, for the Phase 3 rollout, some parts will happen and some parts will be happening later. So, there is a lot of build out that in BharatNet Phase 3, which will be connecting the last mile, the villages, basically. So, but that will be another part of the project and this is mainly for building the backbone connecting the blocks.
- Pratap Maliwal:** Okay, understood. And just one final clarification regarding our international expansion, you said that we're in the final stages of some commercial negotiations. So, is this including the one, the deal that we may be pursuing through our partnership with Rakuten or is it more in the nature of G2G deals, just some color around that and if possible then what could be the expected size of the deal?
- Sanjay Malik:** So, on that, again, as Arnob was mentioning, that previous quarters, we were involved in some of the trials which were happening and those are moving towards commercial negotiations. And the deals are basically the mixed kind of deals. There are some of the deals where we are positioning our equipment directly.
- There are a few of the deals where it is in relationship with either NEC or with Rakuten. So, it's a combination of, I would say, all the three kind of solutions which we have. Closures should be -- yes it should be happening in coming months. Again, varying kind of deal sizes, varying kind of number of sites, multiband, single band, those kind of variations are there. But yes -- so those are expected in the coming weeks.
- Pratap Maliwal:** And would we be considered for any network expansion from Vodafone side because I believe that there was a news article where an official from Vodafone had said that they are trialing Aegis equipment. So, is there any news in that sense?
- Sanjay Malik:** So, this was basically a comment from Vodafone Idea management. Yes, we have been trialing. But again for the news on that, we will be able to give only after discussions with them.
- Pratap Maliwal:** Okay, sure. So, thank you for taking my question.
- Sanjay Malik:** Thank you. Thank you very much.
- Moderator:** Thank you. Our next question comes from the line of Dhruv Shah from Ambika Fincap. Please go

ahead.

Dhruv Shah: Hi, sir. Sir, is it possible to quantify the opportunity size of the POCs or the commercial discussions?

Sanjay Malik: Overall. See, as I said, from a geography perspective these are some of the deals which we are working on across Asia Pacific, then in Latin America, in Africa and in Europe also. So, varying size, different stages of negotiations are there. And I would say significant number of sites also, but difficult to quantify the number as of now.

Dhruv Shah: But do you expect anything to come from next year onwards? Is it possible?

Sanjay Malik: As I said coming in it would be expected in coming months. Because what happens is that in all these discussions, there is number one from the proof-of-concept itself, it has to integrate with the existing environment, we have to show all the parameters etc. And even from negotiation perspective, it always depends upon their deployment plan. So, when exactly it will get closed, I think, again, difficult to say that, but expected in the coming months.

Dhruv Shah: Thank you, sir. One question for Sumit. On a current cost run rate, have we thought that in how many quarters runway do we have before we actually start thinking of fundraise considering our current cost piece is almost, you know, we are making almost INR150 crores of EBITDA loss. So, have we thought of any fundraise? Do we need or you think that we have sufficient cash and we will not need any further fundraise?

Sumit Dhingra: I think the evaluation of capital structure is a sort of an ongoing exercise. And right now there is no proposal of fundraise that we've discussed or that is in discussion at the Board level.

Dhruv Shah: And there's no discussion on cost-cutting as well?

Sumit Dhingra: Now, I won't say cost cutting, but a lot of cost optimization, cost rationalization efforts have happened through the year. And we've also actively looked at optimizing or planning the capital performance in line with the product development. And that's an ongoing effort. A lot of it has happened through the course of this year.

But at the same time, I think, as Arnob also alluded to earlier, a lot of this cost is on account of investments that we're doing in this product development. And we've come to a certain stage over the last 2-3 years in terms of making this investment. So, while we continue to focus on investments, but at the same time, with a lot more prudence and a lot more optimization in terms of how we go about it.

Dhruv Shah: Okay, because if I do a rough math on our reverse calculation basis, Sumit, x of, let's assume BSNL, 4G, whenever it comes, we need almost a INR3,500 crores annual turnover x of BSNL just to have a EBIT break even, if my calculation serves me right on a higher gross margin. So, that's why my question pertains that do we need a fundraise? Because our order book stands at 1,300 x of BSNL. We are nowhere close to that 3,000 figure for an EBIT break even.

- Sumit Dhingra:** Yes. Dhruv, I think, I mentioned this in one of the earlier calls as well. It's a function of, yes, you rightly mentioned revenue, but also to some extent, margin expansion that with the international business in particular, we would expect to see. And that would essentially lead to the corresponding revenue requirements for profitability to come down.
- Dhruv Shah:** Okay. Okay. Great. Thank you so much and all the best.
- Moderator:** Thank you. Our next question comes from the line of Hirenkumar Thakorlal Desai, an Investor. Please go ahead.
- H T Desai:** Yes, my question is mainly for Sumit. A few clarifications on the income statement. So, I see depreciation and amortization as a fairly sizable expense, INR104 crores in current quarter. Is it correct to assume that most of this is actually amortization on the R&D capitalization?
- Sumit Dhingra:** Yes, a significant portion is on account of amortization.
- H T Desai:** And one more question is on the other expenses line. So, that number also seems pretty significant. So, can you throw some light on some kind of a breakup?
- Sumit Dhingra:** So, see, I think we mentioned over the last couple of quarters, there have been certain one-offs that have come in, particularly related to certain repair-related provisions, etcetera., which get reflected in the warranty provision, which becomes part of these other expenses.
- And then, they're also related to part of the inventory or the consumables provisions that we had to do with the previous quarters. Some of that is coming under other expenses, and hence, you see a bit of a higher number there.
- H T Desai:** Okay. These numbers are pretty high, even during, let's say, year-ended, I mean FY '25, and I mean, it has been there for many, many quarters. So, I mean, do we have some sight, some time in future where these numbers can come down to some reasonable numbers and where this can be?
- Sumit Dhingra:** So, I think, I just want to clarify on that FY '25 numbers being high. I think it was also on account of the higher revenue at that time. So, one part of these other expenses is related to shipment, logistics-related expenses, and travel-related expenses. Some of these are variable in nature, which were higher during the last year as we were going through the execution of the contract, the BSNL 4G contract.
- H T Desai:** Okay. The second question is on the side of gross margins for wireless POCs that we are engaging. So, for example, as you mentioned, this quarter was largely wireline, and I can observe that gross margins are pretty good compared to what they were during the wireless business.
- So, whatever we are trying in international markets or Indian private markets, can I expect that the margins on those whenever they materialize will be quite a bit better than what we had seen in BSNL business?
- Arnob Roy:** Hi, this is Arnob. Yes, as you know that for the BSNL deal and the India market, because of the

size and the ARPU challenges, it's a very, very competitive market. So, the price levels in India are quite different and quite challenging as compared to international markets.

So, yes, in the international markets, wherever we are engaging and wherever we are in commercial discussions, the prices are at a much different level and the margins are also at a different level.

H T Desai: Okay. Yes, thanks. Yes, that answers my questions.

Arnob Roy: So, we have time for one last question.

Moderator: Sure. We'll take the last question coming from the line of Venkat Suresh Kumar from Brahma Financials. Please go ahead.

Venkat Suresh Kumar: Yes, sir. Good evening, sir. Sir, I am the investor of Tejas from the 3 years. I'm sorry, 2 years. Actually, continue three quarters is loss making. Only for at the time of BSNL 4G, you will see good profit.

In future, that type of business will come or it will be continued to losses in so many quarters. I have purchased shares around INR1,300. And I lose a lot of money at the investor point of time. But I am not asking, but you can consider shareholders are a concern.

Arnob Roy: Yes, I understand your question. And as I said, so the BSNL project, while it was a big spike in our revenue and I also heard a comment about BSNL being an anchor customer. I don't see BSNL being an anchor customer for the company. I would say the BSNL project was an anchor project to really develop and mature our products and scale our operations to a large extent and being a really good platform for building our wireless business.

And this is the business that we also see a lot of international opportunities for and we want to take it out there. And as you can see that we have made some progress. Of course, the proof of the pudding is when we actually convert these to business. But the way I would look at it is that in this transition phase, our strategy was that while building on the BSNL business, with the add-on order and so on, we use this year to do the transition and be able to build a lot of wireless business globally. So from that point of view, I think we have made a lot of progress. Yes, this transition is taking a lot of time and in the meantime, our financials are not showing up the way we would all like it to because of the delays in receiving some of the add-on orders and all.

But we don't see that BSNL and BSNL projects are the lifeline or the anchor for Tejas. They were an excellent platform for us and we are very grateful for having got that opportunity. But I think now the plan for the company is really to take this global to private telcos, to international operators and so on.

And we are on the way to doing that. And we are all very bullish about reaching there at some point of time. And that's the reason why, we continue to invest, put our heads down and basically try to execute and take our business forward in all that direction. So with that, I'd like to thank you all for attending the call.

Venkat Suresh Kumar: One question, last question. So actually, you 5G upgraded in BSNL contract, that size of order is huge or small. And question, your data-center business, you can do single company, you company doing only for your Tejas products, you do for Valiant communication, cybersecurity and data center products, your marketing or your own products? Your tie-up with Valiant cybersecurity data center products, your own or Valiant products? And BSNL 5G, how much size of order is upgraded? Please tell me.

Arnob Roy: So, okay. First of all, I'll answer the Valiant question. So the data center switching products are our own. Whenever you see we are selling with Valiant products, those are mainly in the utility networks, where we are doing the communication part of the optical fiber, and they are on what is called the teleprotection application. So both of these two come together, our products and Valiant products come together for building solutions for, sorry?

Venkat Suresh Kumar: Cybersecurity products, Valiant cybersecurity, so you are marketing?

Arnob Roy: No, no. We don't market Valiant's cybersecurity products, mainly the teleprotection products. So this combination works for the utility market for smart grids and all those kinds of things. The other part about BSNL 5G, there are two parts to BSNL 5G. One part is the upgrade of selective sites to 5G, which is part of the existing tender. And we have done trials and there are some ongoing trials as well, so that we don't have visibility when that upgrade will happen on the selected sites.

Venkat Suresh Kumar: Size of 5G business?

Arnob Roy: Yes, that's what I was talking about. There is a part called the 5G upgrade of the BSNL network of a select number of sites, which we do not know. And that's going to be an upgrade on our existing equipment. We do not know the size or the timing of that kind of thing, how many sites they're going to upgrade. But BSNL is also looking to build a nationwide 5G network at some point of time. And when that comes, there will be fresh bidding and new opportunities for us, and those will be another nationwide build-out when that happens.

Venkat Suresh Kumar: This is the 4G size of business? This is the 4G size of business in 5G upgrade, not a little...

Arnob Roy: Well, any nationwide rollout will be of the size, and it depends on... As you know, the last project had 100,000 sites, 1 lakh sites. So it depends on the number of sites they're going to roll out 5G on, and you can estimate what will be the size. So if there's a nationwide rollout of so many sites, then Yes, the project size will be of that magnitude. It could be more or it could be less, depending on how many they roll out.

Venkat Suresh Kumar: You take seriously, try to develop a business. Actually, you see shareholders also...

Arnob Roy: Of course, we are all here because of our shareholders. We really appreciate your support for the company. And thank you for being with us. I understand that this is a difficult time because of our business and the stock price and all, but all I can say is that we are bullish about our business.

We are doing everything that we can to execute on this, and we are confident that we'll get there. It's a transition period, which is taking longer than we would have liked. So thank you very much.

Thanks, everyone, for attending the call and look forward to interacting with all of you at the end of next quarter. Thank you.

Venkat Suresh Kumar: You can expect next quarter positive. Hello? Hello?

Moderator: Sir, the line for the management has been dropped. Please stay connected while I reconnect the line for the management. Ladies and gentlemen, we have the line for the management reconnected. Yes, sir, please go ahead.

Arnob Roy: No, as I said, I made my concluding remarks thanking all the shareholders.

Venkat Suresh Kumar: Actually, next quarter will be coming positive, sir. Next quarter will be coming positive?

Arnob Roy: We don't give guidance on future performance, unfortunately. I'm only giving you the outlook, the guidance for our future over a period of time, but quarter-to-quarter guidance, we do not give. We are not in a position to give right now. So thank you, once again, to everyone for attending the call and look forward to interacting with all of you at the end of next quarter.

Moderator: Thank you very much. On behalf of ICICI Securities Limited, that concludes this conference call. Thank you all for joining us and you may now disconnect your lines.

Note: This transcript has been edited for clarity and readability and does not purport to be a verbatim record of the proceedings