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TEJAS® NETWORKS

August 18, 2021

The Secretary
National Stock Exchange of India Ltd
Exchange Plaza, C/1, Block G,
Bandra Kurla Complex, Bandra (East)
Mumbai – 400 051
NSE Symbol: TEJASNET

The Secretary
BSE Limited
P J Towers, Dalal Street,
Fort, Mumbai – 400 001
BSE Scrip Code: 540595

Dear Sir/Madam,

Re: Transcripts – Investor Update Call

Please find enclosed the transcript of the Investor Update call held on August 02, 2021.

This is for your kind information and record.

Thanking you,

For Tejas Networks Limited

TEJAS NETWORKS LIMITED
BANGALORE

N R Ravikrishnan
General Counsel, Chief Compliance Officer
& Company Secretary

Tejas Networks Limited

Investor Update

2 August, 2021

4.30 PM IST

HOST:

Mr Mukul Garg, Motilal Oswal Financial Services

MANAGEMENT:

Mr Sanjay Nayak, CEO and MD, Tejas Networks Limited

Mr Venkatesh Gadiyar, CFO, Tejas Networks Limited

TRANSCRIPT OF THE INVESTOR CALL HELD ON AUGUST 2, 2021

Moderator: Ladies and Gentlemen, good day and welcome to the Tejas Networks conference call on critical investments by Tata Sons, hosted by Motilal Oswal Financial Services. As a reminder, all the participant lines will be on the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need any assistance during the conference call, please signal the operator by pressing the star and zero on your touch phone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr Mukul Garg of Motilal Oswal Financial Services.
Thank you and over to you, Sir.

Mukul Garg: Thank you. Hi everyone. Welcome to the call with Tejas Networks' senior management. Today we have with us Mr Sanjay Nayak, CEO of Tejas Networks and Mr Venkatesh Gadiyar, CFO of Tejas Networks. I will now hand over the call to Sanjay for his initial comments and then probably we can open the call for Q&A. Over to you, Sanjay.

Sanjay Nayak: Thank you, Mukul. Good afternoon everybody. It's again good to talk to you. We had uploaded a few slides of investor update on our website, which I hope you had a chance to look at. I will be initially covering those slides and then of course we will be taking questions as Mukul had mentioned earlier. So, starting off is our safe harbour statement; I hope you had a chance to look at that. There are some additional disclaimers, in terms of the information you should be looking at and be aware of in terms of the proposed transaction.

Now I am on to the main slide of the presentation. The title says 'Tejas' Vision and Our Journey So Far'. So, if you know we created Tejas, we started Tejas about 21 years back to create a top tier global telecom networking company from India. If I were to break our journey, there are different phases. So, Tejas 1.0 was really starting off with a very highly-talented team with a vision and dream, and we are all first generation entrepreneurs, backed by world class venture capital and private equity investors. We focused on R&D to create globally competitive and award-winning optical networking products, and in addition in the company, we built end-to-end product lifecycle processes - technology, sales, customer support and manufacturing operations. I must say that we achieved significant customer success, where our products were deployed in several countries around the world.

Then we had Tejas 2.0, which was the next phase of our journey. We started off and built a successful platform for our world-class telecom products. This Tejas 2.0 journey started off when we as a first deep tech company got publicly listed in India in 2017. We increased presence in Indian market- both in Government as well as Private telcos, expanded international sales; we have customers in more than 75 countries. We expanded our product portfolio beyond optical transmission and added broadband access on fiber (FTTX) and wireless (LTE) for 4G and 5G. We possess a rich IP portfolio of 349 patents, 300+ silicon IP and millions of line of field-proven software. We have a strong customer endorsement in the form of run-rate, repeat business, and we have clearly established a successful track record of cutting-edge, high-quality products that can compete with the best in the world.

All of these are working well and we have seen it reflect in our financial performance of the quarter, where we have seen consistent growth across all metrics. Having reached so far, we have been looking at whether we have a much bigger opportunity; a bigger global play. And that's what I call Tejas 3.0, which is a new milestone and beginning for us. What this really reflects is that globally there is a new capex cycle driven by growth of data consumption, rollout of 5G networks and fiber-based broadband networks, especially in the post-Covid world. There is a very large addressable market opportunity globally; as you know, the telecom equipment is a $150+ billion industry globally. The geo-political developments around the world have created a need for "trusted" telecom products in many countries. And in India, we have a very large home market with favourable Government policies for "Atmanirbhar Bharat" in telecom. On the technology front, again a lot of disruption was happening. Software-ization of telecom networks, emergence of open architecture and new technology trends starting with 5G. And we have an opportunity to leverage the world-class technology talent in India, having the capability of building cutting-edge products. In fact, a majority of global telecom companies have a good number of R&D people in India. We have also evolved a unique business model, where we can use the India-based R&D cost advantage and the asset-light manufacturing model to generate significantly good financial performance.

But with all this opportunity being available, what does it take to accelerate our vision and reach our true potential? When we looked at that, there were a few things we observed. Number one was global branding and relationships. That is something which is an essential feature that was required, not just for Tejas but for India as a country because we are not known as a destination for high-tech products; we are known for our high-tech services. The second thing, since we compete with companies in the world that are much larger than us, we need a lot more balance sheet strength. That is what gives the confidence to global tier 1 telco costumers for large contracts. Secondly, we also have to look at balance sheet strength to make adequate R & D investments through both organic as well as inorganic routes. Being in the electronic and hardware business, we have to have global economies of scale in terms of hardware manufacturing.

When we looked at all of this, we looked at the opportunity and we looked at what it would take for us to accelerate our vision, it was very clear to us that there is a need for a strategic partnership, which will allow us to convert this large opportunity into actual market share.

Having done that, we are very happy to announce, which we did last week our strategic investments from Tata Sons and I want to clarify, this is through Panatone Finvest, which is a wholly-owned subsidiary of Tata Sons and not from any of the operating companies, to acquire the majority shares in Tejas. Broader information has been shared already in our press release and in our media filing. But just to summarise, the investment consists of a few portions. Number one is a preferential allotment of Rs 500 crores, which will result in 1.94 crore of equity share at a price of Rs 258. Second, preferential allotment of Rs 950 crore, totalling 3.68 crores of warrant, which we call series A warrant and each warrant could be converted into one equity share at an exercise price of Rs 258 rupees per share. And these warrants will be exercisable in one or more tranches during the periods commencing from date of allotment until expiry of eleven months from the date of allotment. The third one is series B warrants, which is for Rs 400 crores, comprising upto 1.55 crore warrants and again each warrant will be entitled to one equity share and exercise price of Rs 258 per share. These series B warrants will be exercisable from a period of a date allotment until expiry of 12 months from the date of allotment between 12 to 18 months. The next one was acquisition of upto 13 lakh equity shares from Tejas management at a per share price of not exceeding Rs 258, amounting to Rs 34 crores but this is in the form of a secondary investment and not a primary investment in the company.

And last Friday 12 lakh shares were purchased out of the 13 lakhs and because of all of this there was open offer to acquire upto 26 per cent stake and at again 258 Rs per share in accordance to SEBI regulations.
So this was the summary of terms of investment. The use of these proceeds will be to invest organically as well as inorganically to expand product portfolio and R& D, investment in sales, marketing and additional people and in enhancing manufacturing and operational capabilities including in working capital expansion we need and for other general corporate purposes. So, this is how all the proceeds we are raising would be utilised for the company.

In terms of what are the strategic benefits of our deal with the Tatas - number one, as I said if you correlate this with the handicap that we face or the thing we needed to accelerate our journey, in terms of realising our full potential, those transactions will result in Tejas becoming part of India's leading business group with a very strong brand. We get an opportunity to leverage synergies with Tata group of companies with access to wider global relationships. And many of the group companies we have business with. Third, capital infusion to provide balance sheet strength to invest for growth and expand our product portfolio, both organically and inorganically. The next one is the opportunity to scale up our ambitions for Atmanirbhar Bharat in telecom and overall, it gives us an opportunity to have a force multiplied effect to significantly accelerate our journey to becoming top-tier, trusted, full stack global telecom OEM and really convert a large market share in the years to come.

So, in summary as you can see we have had a fantastic journey so far. Being a product company from India, we have done a lot of good work to be at a global platform. And this partnership allow us to really take the benefits of the platform and scale it up to a global level.

At this point of time I would like to pause and open up the floor for questions from all of you. Thank you!

Moderator: Thank you very much Sir. Ladies and gentlemen we now begin the question and answer session. Anyone who wishes to ask a question may press the star and one on your phone. If you wish to remove from the question, you may press star and 2.
Ladies and gentlemen we will wait for a moment for all the questions to be handled.

The first question is from the line of Ritesh Poladia from Girik Capital Portfolio Management Services. Sir please go ahead.

Ritesh Poladia: Thanks for the opportunity and congratulations to the entire team for the fantastic deal. Tejas was so far limited to a certain value chain in entire telecom infra space. How does that change now or will you evolve to do something different in the telecom infra? Second, so far Tejas' manufacturing presence was limited; there was more outsourcing and final assembly and quality control was in-house. So, how does this change post the deal? And if you can give us some update on the BSNL 4G and how does that also change with the Tata deal?

Sanjay Nayak: Thank you let me answer one by one. Number one, we would be expanding our product portfolio. So, if you see when I described the Tejas 1.0, 2.0 and 3.0 - in 1.0, we just had optical transmission products, and then we added access products. Now our ambition is that both wireline and wireless products, both for 4G and 5G, will be something we will be expanding into. So really, one change which will be there is a larger set of product portfolio and trying to become almost a full-line end-to-end telecom product provider in telecom. So that is one part.

Coming to the second question, are we going to do something different in terms of supply chain model where we had an asset light manufacturing model? I think the asset light manufacturing model will continue. We will like to continue to outsource our manufacturing, primarily to EMS companies, and focus on R&D which is what we are supposed to do very best. And we would continue to focus on product creation, sales and marketing all other operations. So, I do not see that we will get into EMS manufacturing kind of thing going forward.

The third question you asked is about the BSNL 4G tender. We have applied for PLI scheme under the Government of India and are eligible for the scheme. We will continue to look at the benefits out of it and that would not change. We can potentially see an increase in the benefits of the PLI scheme because we will have more number of products to sell to more number of countries around the world. The second thing about BSNL 4G tender as I mentioned in the earnings call of Q1, we are formally participating in the process and the discussions on the proof of concept and trials have already started and we are engaging with BSNL as per the process. We are partnering with TCS at the front end and also ITI has technology from TCS, which we are again partnering with TCS.

Moderator: Next question is from the line of Sameer Pardikar from ICICI Securities. Please go ahead.

Sameer Pardikar: I am just very curious to know apart from Tata which are the other partners we considered for strategic tie ups? And do you see any synergy with telecom business of Tata? Secondly, will there be any top level management changes like Tata nominating directors or including any senior members in the management? And third, regarding warrants. Are the warrants optionally convertible or are there any targets to be achieved?

Sanjay Nayak: Your first question was that how did the deal happen and did we consider other people. Actually in a sense, we have been working closely with Tata group of companies for many years - Tata Communications and Tata Tele Services being our customers. Of late as the person in earlier question had asked, we were working with Tata Consultancy Services on the 4G tender in BSNL. So, there was an engagement going on in the normal course of business. But we also realised that there was lot of potential for us to do lot more together, and that is how it resulted in the transaction we talked about.

Coming back to the second question that we have synergies with other Tata group companies. These I have already mentioned. We have been supplying equipment for more than 15 years to Tata Communications and Tata Tele Services. The 4G tender with TCS is currently ongoing.

The last part is are the warrants optionally convertible? Yes, the warrants are optionally convertible but 25 % of the value of the warrants as per the regulation would be given at the time of warrant issuance. The purpose of warrant, just to clarify, as we talked about we now have a larger ambition, larger growth potential and larger opportunity that we are going after. And that would require us to have access to more amount of capital as and when we need it. So, the purpose of keeping it in the form of warrant is that as and when we see any opportunity, for example for an inorganic growth opportunity or making significant investment in area of business, we should be able to draw down on that warrant. The intent of the Tata group is to really support the company in scaling up faster than it has done in the past. So that is how the warrants would be really looked at.

Last question is about the senior management. As was stated in the press release, the Tata group have all the confidence in the senior management, the entire team including myself, Arnob, Kumar Venkatesh and rest of the team will be continuing.

We are actually very excited about this whole transaction because many of you have been invested in the company for so many years also realise that (as we have been communicating to all of you) that there is lot of potential, lot of total addressable market (TAM) in the world. But realistically, we were not able to go after and achieve that market for all reasons I mentioned in the presentation. So, a brand and a platform like the Tata Group gives us a significantly better opportunity to convert that TAM into real market share. The management is very excited and we are all looking forward to the phase three of our journey, as I called Tejas 3.0 and achieve what we set out to achieve when we started this company. Thank you!

Moderator: The next question is from the line of NGN Puranik from ENAM Securities. Please go ahead.

Puranik: Hi Sanjay. Congratulations for the brilliant transaction you have done. You can’t have a better partner in India for Tejas than Tatas. I have a couple of questions. You are expanding your portfolio to include wireline and wireless products. As it you have a huge design and R&D capabilities. So, what kind of exercisable market expansion do you have with the might of Tatas, their market experts and global network available to you? Any other idea which will take you to the next level of scale?

Sanjay Nayak: Thanks, Puranik and appreciate your sentiments. As you rightly said, the value of the strategic partnership like I shared in my presentation earlier is really across two or three dimensions.

Number one dimension is that - can we use the network, the relationships and brands that exist with the Tata Group to sell lot more of the products that we have already created. That is one level of synergy we are looking at. And as some of you who have been tracking our international journey would know, we finally turned the corner last quarter when we had majority of revenues in international. That journey can be accelerated where we were handicapped because of lack of relationships and so on. So, on the sales sides, more relationships more brand recognition plus many of the tier one customers around the world, they do look at companies with a strong balance sheet - companies that will be around for next 10-15-20 years. I think that question will be hopefully settled once and for all that we will be around for a long period of time. So that is point number one.

Second thing you mentioned is that expansion in terms of product portfolio gives us an opportunity - like once you win the customer, once you are in a country, can you get a larger wallet share of customers telecom spend? And that is also something we have figured out - if we are already able to sell product 1 and product 2, why not also have a wider range of products to sell so that we can get a larger wallet share? There again I believe the relationships matter, especially as we go accelerating our own organic development and will be looking for inorganic options to fill up our gap in product portfolio or any particular technological area, either from a time-to-market advantage or any other angle that we see fit.

Again the balance sheet we have now will really enable us to make things happen. Overall, this is the broad thing that we can mention - the way that we are going to go. The specific plans and concrete strategy we will develop in the next few months and we would then happily share those with all the investors as well.

Puranik: Would you be expanding your R&D capacity, which is the core of your business? Will that be the approach going forward?

Sanjay Nayak: As I mentioned earlier, the plan is to expand more on the R&D and product side, to both organically and inorganically expand our product portfolio through R &D capacity. Second is into manpower or people, and third is manufacturing and marketing capabilities. We do believe that we will continue to use the EMS model where it is an asset light model - the design and everything will be done by us but the low level assembly is being better done by our EMS partners. So, I don't think we would be getting into that aspect of the business. Companies around the world, like us, have actually over the years moved to the model that we started off with.

Puranik: So, your addressable market will go up by what 3X, 4X? How big it would be?

Sanjay Nayak: I would not put a number right now. Good news for us now that the addressable market in telecom equipment is very large as I mentioned in the presentation - around $150 billion. So, in essence, the whole world is our market.

Puranik: My point is today you have the firepower. So, how big is your target market?

Sanjay Nayak: Your point is well articulated. While the target market is very large, what was accessible to us because of our size, product portfolio and international reach was limited. Clearly this number will increase. How much it will increase we have not specifically penned it down. As we go forward and as our plans become clearer, we will be able to articulate how that is withstanding.

Moderator: Thank you, the next question is from the line of Mr Mukul Garg from Motilal Oswal Financial Services.

Mukul Garg: Sanjay, my question is similar to Mr Puranik. While we understand it is too early to formulate some thoughts on how you are going to prioritise going forward, but if you can share a few thoughts on, you had mentioned few areas where you will be investing - marketing, expansion, inorganic opportunities - if you can share few thoughts on initially how do you see which one should come before and which one you can push back a little bit, in terms of priority right now and also whether you look at India as a bigger market or you still have international markets as a main hope for you now given that you have a much longer holding power and India itself is growing quite fast. So, if can you share some thoughts on how we should look at the business in terms of six months to one-year perspective in terms direction.

Sanjay Nayak: Mukul, it will be multiple things will pan out in parallel. Number one, as I mentioned earlier, the existing products we already have, can we sell a lot more of that both in India and outside of India? There will be one series of activities or planning that will go around that line of thinking.

The second thing that will happen in parallel because there is also a time to market that we need to catch up on with certain technologies or areas, so we will have to bolster our R&D capacities organically and inorganically to complete that. Both of these will be happening in parallel. Having said that, any of the strategies will take some time to implement. First of all, the transaction has to close and that will take some time. So, I don't expect to see any significant difference in trajectories in the next few quarters. But clearly once we get all the strategies in place, once we get all the details, we will come back and share with you materially by when we can start to see the difference. But definitely in the next few quarters, we will just take time to put the right strategy in place.

Moderator: Thank you. The next question is from the line of Ashwini Agarwal for Ashmore Investment Management LLP. Please go ahead.

Ashwini Agarwal: Sanjay, congratulations. This is a wonderful transaction. I am really enthused that you will be finally be able to realise the full potential of the effort that you have put in over the past several years. Two questions - one is obviously this gives you the capital and this gives you the Tata brand name, which is recognised globally and gives access to a lot of customers, conversation that may not have been accessible to you in the past. In the short run, when you speak about inorganic opportunities, and you work with TCS and you worked with other group of companies of Tata including Tata Tele Services. Are there any bits and pieces within the Tata Tele Communication R&D and product design and manufacture that you can bring in to Tejas? Is that one of the objectives to consolidate Tata's R&D type of activity within the Tejas?

Sanjay Nayak: So at this stage, it is a bit early to give any specific details on that as we have not gotten into any discussion in terms of the telecom or technology assets that exists within the Tata group of companies. Clearly from what we gather, that is what I had mentioned earlier, that the investment is from Tata Sons. So we will clearly have an opportunity to evaluate all the technology capabilities and the other products for example which are available in other group companies. The objective will be to synergise and leverage them. Specifically what they are and when we will be able to utilise them, is something that will take some time for us to determine. But clearly the intent is to see if we can take advantage of those opportunities and create a healthier telecom equipment business which is what we will be driving.

Ashwini Agarwal: Will that also mean that you will have joint go-to-market proposals that TCS - like if TCS has a working services engagement you could work with them and provide some hardware solutions that is required. Or is that also something that will evolve over a period of time?

Sanjay Nayak: Yes, as you rightly said, be it TCS or TATA Communications or Tata Teleservices - all of these companies have their presence in the telecom vertical as you all know. As a question asked earlier in the BSNL engagement, we are working with TCS for the 4G project. So, clearly the intent is to find our synergies, where we can benefit in a bigger way and create a win-win situation. But being separate companies, I am assuming things will happen at a normal arms-length distance. Things will emerge clearer as we learn more about the different capabilities of the group and engage in more discussions, all of which, of course, will happen only after the transaction is consummated.

Ashwini Agarwal: The other question I had is does this potentially change your approach to tier 1 telcos in US and Europe?

Sanjay Nayak: Definitely. Why just US and Europe? I would say worldwide. In fact, a part of the reason where strategic investment will make a lot of difference is that we always believed that we had very good products. Think about it this way - unless we had very good products even the tier-1 telcos in India would not buy a dollar or rupee worth of products from us. So, clearly the products were there, but we did not have access to the tier-1s around the world. As I said earlier, lack of branding was a handicap. And second, they would look at the larger balance sheet and look at if they give us a very large contract, do we even have the financial capacity to be able to successfully execute it and service it for the next five or ten years - because that is the what the tier-1s look at. All those areas where we did not have adequate resources, or the connections of the resources, we hope that this transaction will enable us.

So, yes we will look at tier-1s globally. This is exactly what I mentioned in my presentation. Those were all things which we were not addressable by us but now we believe that the possibility or opportunity to address them will significantly increase once the transaction gets over.

Ashwini Agarwal: Now sitting where you are today, with access to one of the best brandings outside of India, the balance sheet, and technological capability, do you think if you were to look at five years out, (and let's forget about $150 billion or the $10 billion addressable markets as you always pointed out earlier), do you think that five years out, you can touch a revenue of $1 billion?

Sanjay Nayak: Clearly, we have an opportunity to be a much larger company than today. What exactly is that number only time will tell. Do we believe large growth is achievable? Absolutely. Do we believe we can build the products to achieve a large scale? Absolutely. Does this partnership give us opportunity we have never had before? Absolutely.

So, I would say the opportunities clearly exist. How soon it can happen or how much time it will take will clearly depend on how well we will execute. And I think we have done lot with lot less resources. With more resources and more relationships, we do believe and we have the confidence that we will be able to accelerate our growth. Exactly where we will be, only time will tell. But we are convinced that the opportunity that we can address is significantly larger than what we have been able to do in the past.

Moderator: The next question is from the line of Sunny Gosar from MK Ventures. Please go ahead.

Sunny Gosar: Thanks for taking my question and congratulations on this fantastic deal. I have two questions. First one, basically post this investment the company will get infusion of about Rs 1800 crores of cash. The company already holds about Rs 300 crore of cash plus there will be some free cash obtained from operations in the next two-three years. So, assuming that we have access to a pool of Rs 2000 to Rs 2500 crore of cash, what will be our priorities over the next couple of years in terms of investment into R&D, inorganic and what else - basically how will this large cash pool be utilised? If you can throw some perspective on that. And my second question is in case of inorganic acquisitions or opportunities that you will explore, what would be your priorities on that? Will it be to acquire some new product line or get access to customers through some international acquisitions?

Sanjay Nayak: Sunny, as you rightly said, we had some Rs 300-400 crores of cash. We have also been generating cash as we have over the past several quarters. And this Rs 1800 crore of cash definitely gives us a very strong balance sheet. And that was definitely the intent. Because what we have really done structurally with this transaction is that we have increased our ambition. So, the purpose of strengthening the balance sheet was to go after ideas that we would have not gone after if we had stayed with our earlier balance sheet or without the strategic investment. We would have definitely continued to grow and grow well, as we were doing in the past many quarters. But we believe that the opportunity that we have got gives us a chance to accelerate all of that. In terms of specifics of exactly where we will prioritise this capital, would it be in acquiring more products, more customers, I think those are all areas that we are carefully evaluating. As I said, as soon as we get our arms around the transaction, in a short period of time, hopefully not in the distant future, we will come out with a more specific plan, and share with you. At this stage I would say that the purpose was to have the balance sheet, the connections, and capital available so that whatever thing we come up with will allow us to make good use of the resources we have and use it to accelerate growth. And as the earlier question Ashwini was asking, take much larger acquisition and make larger bets and invest for the longer term. Those are all things which you only start thinking only when you have a stronger balance sheet and backing. So, that is the way I would look at it.

So, we will come back with a specific plan once we are done with the work at our end in a more concrete basis.

Sunny Gosar: One more related question to this. So, basically in terms of overall addressable market, you mentioned that it is $ 150 billion global telecom market. Out of which, the current portfolio can service about $10 billion between India and global. Assuming wireless product, if you can highlight the top three or four segments in this $10 billion opportunity? What will your top focus or priority in that?

Sanjay Nayak: So just to clarify, since you mentioned, the $150 billion is the total value of the telecom equipment that the world buys every year. And when we craft our addressable market share, it is a combination of two things - it was a combination of product portfolio intersecting with the markets in which we are operating. That's the combination of product market fit. You may have a product portfolio but in some very large country, for example in our neighbourhood, we were not targeting for selling; that market was not really available to us. So, in that sense $150 billion is a factual number, which is basically the total amount of telecom equipment the world buys. $10 billion was a combination of the product market fit. So what will happen now is that for the same product, we will be expanding the market we go after. Earlier we were not going after tier-1 customers because of the reasons I have highlighted earlier. So, for the same product, we will now have a larger actual addressable market.

Secondly, while expanding the product portfolio itself, for e.g., we were doing optical primarily before, now we have gotten into wireline, and we will be accelerating our investment in wireless and the set itself will evolve. So, how big the number goes to remains to be seen. But a bigger challenge would be our execution capabilities – how we accelerate the larger existing products and of course the induction of new products in our portfolio so that we have a larger wallet share in our existing customers.

I would say directionally we will be heading to a larger addressable market. It requires some amount of time to get our act together. That's what we would really set out in our strategy in terms of what we plan to achieve over a period of time.

The real thought process was that we need to think long term - we need to think of building a very strong enterprise which will stand the test of time and will realise its full potential. And that's why sometimes having all the resources lined up before you really want to take off is what we have tried to do with this partnership.

Moderator: Next question is from the line of Rupesh from Intel. Please go ahead.

Rupesh: Hi Sanjay. Congratulations on the fantastic deal. I have some questions. What is your market share now with India private? And following this deal, what is your aspirational market share, say three-four years from now?

Sanjay Nayak: So, specifically on this, we have not been sharing market share data because for the Indian market, the market share data is very fuzzy. There is no global credible research which gives that. Subjectively speaking, what we have been able to demonstrate over the past few quarters and with the new wins that we announced in the Q4, Q1 and before that, we clearly have been heading towards increasing the market shares in India in the categories we are competing in - optical transmission, FTTx which is GPON and other technologies and now we are entering the wireless side as well with some of the engagements we have with a few customers. As you rightly said, some of the vendors would be having reduced market shares because of various government regulations etc. And we do have an opportunity to increase our market share independent of them and because of them.

It will be hard to pinpoint where we will be in 3-4 years. But directionally, if we execute well and if we do what we are supposed to do in terms of our strategy, I am sure that we should be able to gain market share in India. India is a large market and it will be a very large market going forward with the FTTx rollout; we are still at the initial stage in the country, 4G expansions are still happening, 5G investments are going to happen from next year and will continue for several years. So, we are really at the beginning of a long capex cycle in India based on fiber broadband, 4G, 5G expansion and so on. And we clearly believe that if we have the right product, are competitive, which we have demonstrated amply in the past, we have a shot at being a large player in our home market.

Rupesh: At a strategy level, do you think you will be going to system integration kind of work?

Sanjay Nayak: No. We are very clear that we want to be a product company. As I mentioned earlier, we will not be getting into EMS business. It's a separate skill set and heavy infrastructure. We are not going down that path in manufacturing.

Same is the case for system integration. We will not be going in that direction since it is a completely different skill set as well. It requires putting together some pieces from ours and some pieces from many other companies. We believe that in the near- and medium-term that's an area where we don't think we will be expanding. But again our core strength is in building the best-in-class products - we will be expanding our product portfolio, expanding our geographical reach for those products and that's the way we will be going. Of course, when we come up with a more detailed strategy, we will talk about any other area we will look at; but prima facie this is what it looks like.

Rupesh: Now you are talking about targeting tier 1 players globally. In that context, can you talk about the three-four areas, where you had constraints before and now have better options in terms of financially and technology-wise. What was the problem you were facing before which you think you can now address?

Sanjay Nayak: Tier-1 telco is not a single-dimensional decision. It's not just about technology, or balance sheet or support. It is a combination of a variety of things. What I highlighted in my presentation earlier is that the fact we could sell to the absolute top tier-1s in India, who want the latest technology and high-quality products at competitive prices clearly gives us confidence that we have all the elements to succeed even globally. What was missing was the access to those tier-1s in terms of relationships. What was also missing is that in any new geography or any new market we go to, they may require some specific things related to that particular telco, and our ability to make such investments in advance of the sale. This could mean they looking at the balance sheet of the company to see whether we have the capacity to execute large contracts and can they trust us with it. So, it was a combination of all such things. That said, it's not like we haven't won international tier-1 orders in the specific geographies we are focused on. We were winning market share at a certain pace, and we were expanding as was evident in our quarterly results. What this will allow us to do is to potentially accelerate our journey in that direction. So, that's the way to think.

Rupesh: One last question on technology. We have been more of a follower in technology. For example, the 800G DWDM product, our product will only be ready in 2023. But if you look at competitors, they are already deploying it. So, do you think the technology roadmap will be accelerated? Do we go from technology follower to a technology leader, strategically in next five-ten years?

Sanjay Nayak: To begin with, I would like to correct you. We are not a technology follower. May be for a particular example, it's more of a components' play. For a 600G or 800G we can buy from certain suppliers, whereas some of competitors would have chosen to build the components in-house. It is not exactly clear which of the two is a better strategy.

There are many areas of technology (which I don't want to get into the details in this specific call because the purpose of the call is different) where we are the best-in-class in the world and I have no hesitation in saying that. I don't think it would be accurate to say that we have been a follower in technology and now the deal will allow us to become a leader. Maybe the thing was that given our balance sheet size, given our capacity of R&D available, we had to pick and choose the areas we wanted to focus on and where we have a maximum chance of success given our customer base. I talked about our product market fit earlier on. So, our limitation on technology or what one would call as the leading-edge of technology was not limited by our ability to create a specific technology or product. We are all from India. We know that if someone can build a product, we can build it in India. The question was that even if I build the product, will the customer buy it from me or will they still use my size and balance sheet strength to choose someone else. So, our limitation on different aspects of technology worked from that angle. As we develop our new strategy, I don't think overnight we would say that now that we have greater balance sheet strength, let us invest much ahead of the technology curve like how everyone else does. It will still be a judicious call in terms of product market fit and even the opening up of international tier-1 opportunities is not an overnight activity. It will take time. We just want to ensure that we don't fall behind the curve and if we can, do a good job of product market fit that will allow us to use the resources that are available in a much more judicious way.

I must also tell you even if we say that we have $ 300-400 million of capital available, when we compare it with our competitors, they have ten times that capital available. So, the discipline of technology investment, the discipline of market investment, a discipline of cash flow, which we all got in as the basic DNA of the company, I think that will continue. Except that with a larger set of resources available, hopefully will enable us to do "more with more" rather than doing "more with less" like how we did in the past.

Rupesh: In five years from now, can you give us sense of how much will be optical, wireline and wireless?

Sanjay: I think it's a bit early to answer that question. Because we still haven't detailed out our strategies in terms of product roadmap and technologies. So, it's a bit difficult to give a precise answer to that. But what I did mention earlier is that we would be graduating from a wireline only company to a full stack supplier. Full stack supplier doesn't mean every piece of the technology that goes in the telecom value chain. We will have to think about areas where we can be successful, areas where we will have our competitive strength. I would say it's a difficult question to answer at this early stage as to exactly what our product mix would be; except that we would have a richer product portfolio than what we have today and a larger market from where we are today.

Moderator: The next question is from the line of Pankaj Gupta from Ratnabali Investments. Please go ahead.

Pankaj Gupta: Do we have any product overlap with any of the Tata group of companies' ecosystem as of now? Do you see a possibility of getting into a new sector apart from telecom in the medium term?

Sanjay Nayak: The answer to both the questions, as of now based on our limited understanding of what exists in the other Tata group companies, we don't think we have any overlap; there could be complementary businesses but we don't know that as of now as we haven't done a detailed study yet. And over the next few months, when the transaction is over, we will do a detailed study to see what other things are available in the ecosystem and if there is a way to leverage it in a win-win way. The second thing is that if we will get into new sectors in the medium-to-long-term? No. I think we are very clear on what our core strengths are and which have already articulated. I won't repeat that. So, we will stay focussed on what we do well. Except that the platform, opportunity will be bigger and faster now.

Moderator: The next question is from the line of Tejas Sheth from Nippon India Mutual Fund.. Please go ahead.

Tejas: Is there any business of Tata group where we had some market share and this deal can help us gain more share?

Sanjay Nayak: We do business with a couple of service provider companies in the Tata Group. And the fact that they have selected us on merit and competitiveness and we have a long standing relationship is a good sign. Clearly, if there are more synergies and market shares that we can get from them because of better value proposition to them, I am sure we will definitely explore those opportunities. Given that each company operates on an arm's length basis, I am sure these guiding principles will be followed. But we will aspire to increase our market share, where possible, in the group companies.

Tejas: Will this deal widen the horizon of our PLI participation?

Sanjay Nayak: I can't answer that now because we have just applied for the PLI scheme based on our current products. So, the way the PLI scheme works is we get a certain percentage of the incremental sales which we had as FY19-20 as the base year. As a part of the deal, over the next 5 years, there is a possibility that we should be able to accelerate our revenue growth and in turn could potentially accelerate the amount of benefits we get from PLI scheme. But again PLI scheme we just applied for and there's still the approval that has to come from the government, and once the scheme starts getting rolled out, we will start seeing the benefits of the same.

Tejas: On the talent hiring and chip sourcing. Again with this deal makes Tejas a bigger company, would that move you towards a comfort zone towards chip sourcing?

Sanjay Nayak: So you have two questions. Let us talk about the talent question first and then move to the chip question next.

The view that we all in the management team have is the fact that any bright engineer or any talent in the country or around the world, who would have heard about the deal – trust me a lot of people have reached out to us and complimented us for the opportunity that deal will present to us. So, we would really be hoping and looking forward to the best and brightest talents in wireline, wireless, packet switching, routing, network management. They would be excited to work in Tejas because of the opportunity we can potentially create for everybody. So, we do see a lot of excitement in the job market, where people feel that we could be a good company to be a part of. That of course we will have to continue to see how it will actually pans out.

Second question you talked about was the chip supply situation. It is a tricky situation for everybody in the world, no matter who you are. But with the backing of the Tata group and potentially the relationship they may have with some of the larger chip suppliers, because they do have a different touch point and different business engagement points with them, we will have to explore if any of those business relationships can really come into benefitting. But independent to that as I had mentioned earlier in the Q1 earnings call, as a team we have been taking a lot of proactive action to ensure that the business upswing that we are seeing is potentially serviceable by securing the components at the right time. But that is an evolving situation that we will continue to monitor.

Tejas: A last question- will the name of the company be changed to represent the Tata brand?

Sanjay Nayak: Good question. We will share that with you once we have met internally and figured out the merits of a name change. I think the objective will be to look at the best whatever is for the business of the company. But that will be done after the transaction is consummated, when we will taking a very detailed view of that and there are many well-respected people in our boards that will help us take that decision.

Moderator: Next question is from the line of Bharat Sheth from Quest Investment Advisors. Please go ahead.

Bharat Sheth: Congratulations, Sanjay on the excellent deal. The way the whole telecom market is moving towards the Open RAN-based and hardware base, how much of your portfolio is in compliance because some of the portfolios may not be usable? If you can give some colour on that?

Sanjay Nayak: So if I were to paraphrase your question - the new standards in the telecom which are evolving are segregating the hardware and software differently and in that direction how do we play in?

Actually if you look at one of the pointers in the opportunity slide in my presentation in Tejas 3.0 was exactly this. There is a technology disruption happening in the world which we call the softwarisation of networks, where things are segregated and a new open architecture come in. So, if you see the different times in businesses new entrances to existing businesses, the best opportunity happens when a technology disruption happens. We actually see that as an opportunity. Lot of our architecture of the product and the way the company built in fact, we talked many times about our "software-defined hardware' architecture that the company has adopted over the years. So that has been our DNA that programmability or being able to take advantage of such disruptions is going to be good for the company. So, I think we are well prepared for that. We have a very strong technology team that keeps looking ahead at how the world and networks are evolving. It's an evolving and continual exercise and tech disruptions are what we look forward to as it gives us more opportunities.

Bharat Sheth: And will that be a better margin business vis-a-vis existing business?

Sanjay Nayak: That's again difficult to say because better margin is a function of competitive landscape and how things evolve. So, it's a bit premature to head in that direction. But definitely as a company we acknowledge, understand and are preparing to address those opportunities.

Bharat Sheth: Do you think that any of the products may become obsolete?

Sanjay Nayak: No. Every product continues to evolve. And one of the reasons for us to continually invest in R&D, even when our revenues were down was to ensure we never become obsolete, irrelevant and we never are in a situation where didn't make the right investment and competition took over. On the contrary, we keep doing what we do with the resources we have. So, I don't think we have any obsolescence in our products. We believe that more tech disruptions are better for nimble companies like ours compared to larger companies that may take more time.

Moderator: We take the last question from the line of Chetan Gupta from Samena Capital. Please go ahead.

Chetan Gupta: Hi Sanjay. I think none of others asked about how some of your other clients reacted. I think it's important because you service a lot of customers. Are other clients a bit nervous or do they see it in the same light as you are? I think it would be helpful to answer that.

Sanjay Nayak: Good question, Chetan. Again early days. It's just been two working days after the deal. But we have been in touch with some of our larger clients. So far the ones in India who matter to us have responded very positively. In fact, I must tell you that the big clients in India have a lot of pride in Tejas and have supported us across the board. And with this transaction, they are very excited that we have the backing and the balance sheet to become a much large company that all of us, especially from India would feel proud of.

I must say that the initial reaction has been very positive not just from clients but also from government officials – pretty much everyone in the ecosystem – from our component suppliers to our employees to even academia - everybody feels it's something in the right direction to head into. We are excited, all our stakeholders seem to be excited from customers to suppliers. So I think it's a good start. In anything like this the execution matters and we are really looking forward to take this opportunity and make the best out of it and over the next few months or whatever time we will come back with more specific strategy and share the progress along with you.

Moderator: Ladies and gentlemen, this was the last question for today. I now hand over the call to the management for the closing comments. Over to you, sir.

Sanjay Nayak: All I can say is that when we were looking at the deal, we looked at all stakeholders and in our wisdom we believed that this was a good move as it is something which allows us to accelerate the vision that we set out with. We are very excited about this partnership. We hope to continue sharing our roadmap, milestones and progress in the coming days. We do believe that this can create a lot of value for all of our stakeholders. So, thank you and look forward to your continued support that you have all been giving in the past in the future as well, thank you!

Moderator: Thank you very much sir. Ladies and gentlemen, on behalf of Motilal Oswal Financial Services, I conclude this conference call. Thank you!