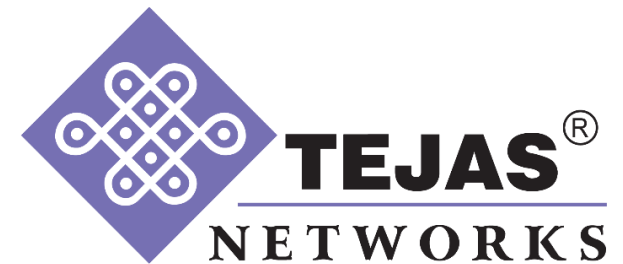




TEJAS NETWORKS LTD
EARNINGS CALL PRESENTATION
Q1FY20



Safe Harbor Statement

Certain statements in this release concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, our ability to successfully implement our strategy and our growth and expansion plans, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, changes in the laws and regulations that apply to the industry in which the Company operates. The Company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company.

Q1FY20: Key Updates

- **Financial Update**

- Net Revenues: ₹ 156.6 cr
- PBT: ₹ 10.2 cr , PAT: ₹ 5.9 cr
- Working capital increased, primarily due to higher DSO
- Order Book: ₹ 426 cr

- **India Update**

- Strong growth in India Private
- Government business declined to 15% of total (55% in FY19); Expected to pickup in 2H

- **International Update**

- Strong pipeline of customer engagements; 3 new customers signed up in Q1
- Won rate contract with Tier-1, Pan-African operator for wholesale bandwidth application
- Hired US Sales head- Paul Harrison (industry veteran with 35 years of experience)

- **Continued focus on R&D to create differentiated products**

- 349 global patents; 288 semiconductor IPs

- **Awards**

- Tejas GPON OLT/ONT won “National Technology Award” by Technology Development Board, Department of Science and Technology, Government of India
- Finalist at 2019 Leading Lights Award, USA for Most Innovative Telecoms Product
- UAE Business Award for “Best Global Optical & Data Networking Provider in the MEA region”



Financial Update

	Q1 2020 (₹)	FY 2019 (₹)
Revenues (Net) ¹	156.6 Cr (YoY -32.5%)	876.7 Cr (YoY 18.5%)
EBIT	6.6 Cr (YoY -85.4%)	130.3 Cr (YoY 42.3%)
PBT	10.2 Cr (YoY -80.2%)	150.0 Cr (YoY 41.5%)
PAT	5.9 Cr (YoY -87.0%)	147.2 Cr (YoY 38.2%)
EPS	0.64 (YoY -87.2%)	16.13 (YoY 30.0%)

1. The Revenues (Net) are net of taxes (excise duty/GST) and pass through component sale to our contract manufacturers

Key Financial Indicators

Particulars	Amount in ₹ crore		
	Q4 19	Q1 20	Variance
Cash flow from Operations for the period	23	(122)	(145)
Net Worth	1,320	1,326	6
Borrowings	1	1	
Net working capital ¹	581	725	(144)
Net working capital as % of LTM Revenue ¹	56.54%	77.40%	

- Our working capital increased by ₹ 144 cr (77 days), on account of higher DSO and higher inventory. We expect to reduce our working capital levels by end of Q2.
- DSO increased to 284 days from 236 days (as on Mar 19), due to continual delays from India Government customers and higher revenue in the last month of previous quarter
- Inventory days increased to 87 from 64 days (as on Mar 19), in anticipation of customer orders, which got delayed.
- We are a practically debt-free company, with cash and cash equivalents (incl. mutual fund investments) of ₹ 231 cr

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

Our Medium-term Strategy

1

Leverage incumbency in India to benefit from pent-up demand for broadband and data; increase depth in India-private accounts so as to reduce dependence on lumpy, India-Govt business

2

Increase international sales in Africa, S. East Asia and America, to reach 50% of overall revenues

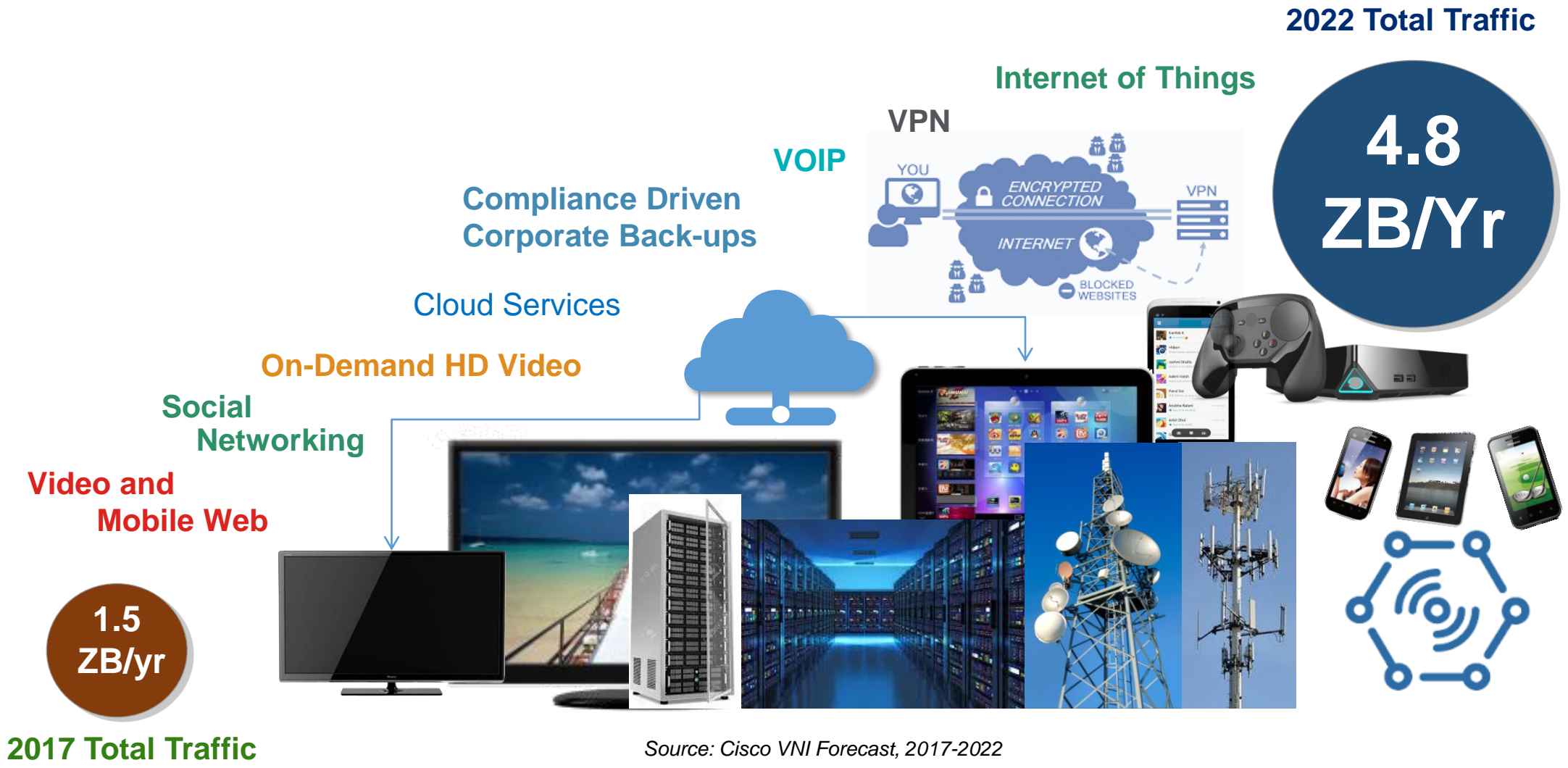
3

Continue to invest in R&D to maintain our product differentiation & expand our portfolio to increase our addressable market

4

Continue to deliver strong financial performance- maintain profitable growth and improve working capital efficiency

Macro trends driving Data Growth and our Business



Business Drivers- Data demand continues to grow



FIXED BROADBAND

Multi-gigabit Access on Optical Fiber (FTTX) and Broadband Wireless (WTTX)

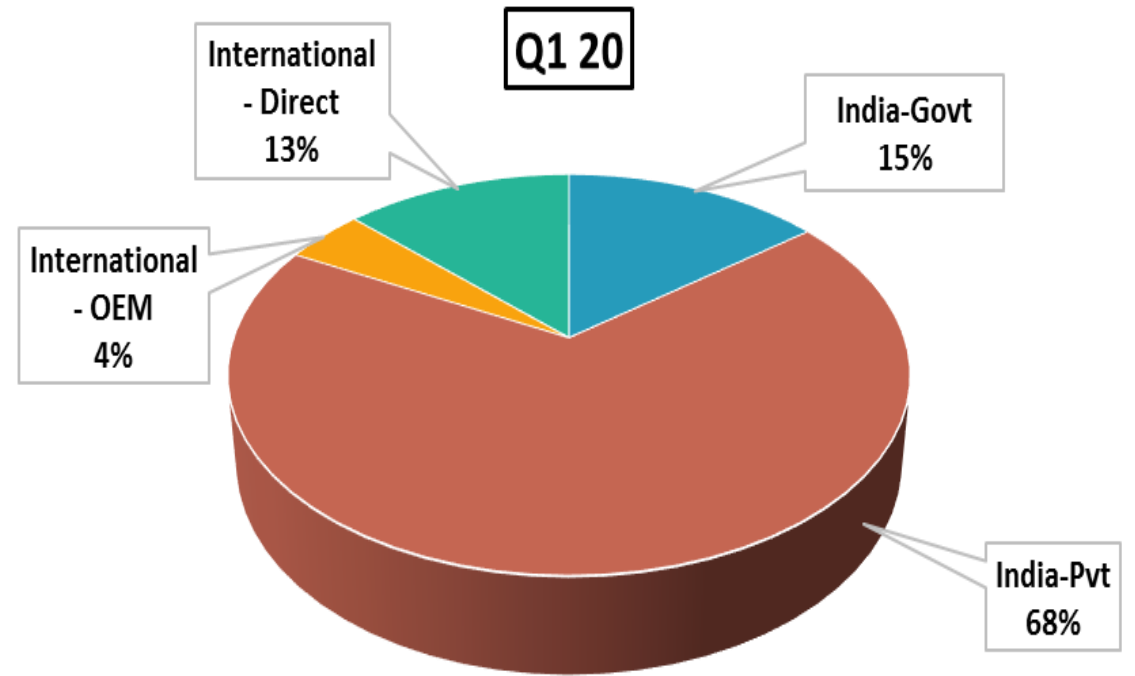
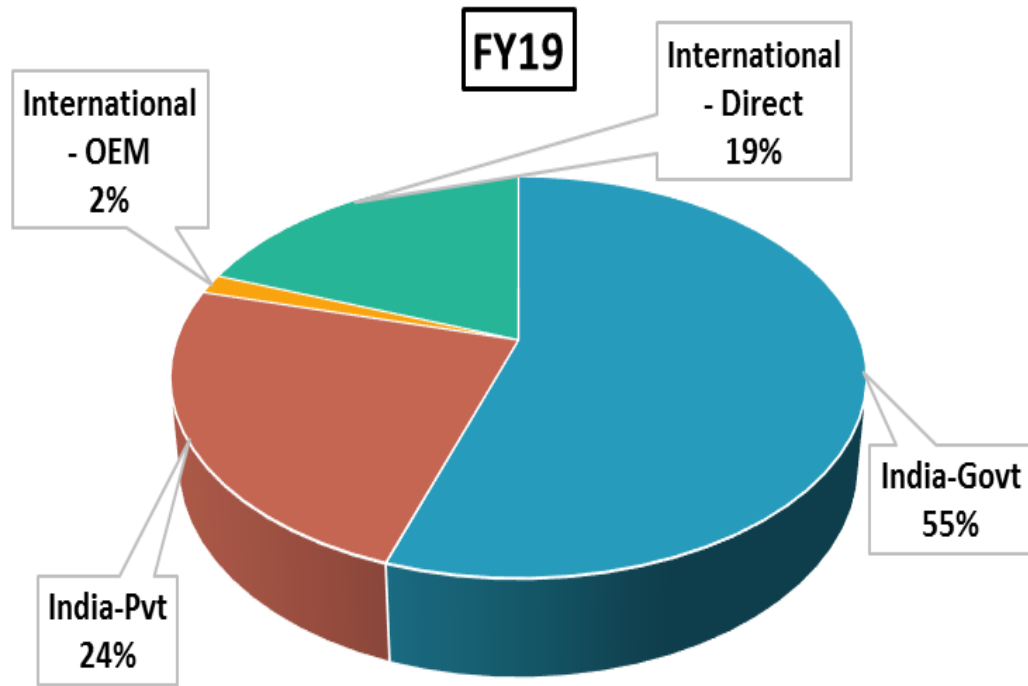
4G, 5G & IOT

Network Densification and Fiberization driving growth in Metro Networks

CLOUD, DATA CENTER

Demand for Massively Scalable DWDM Networks with Multi-terabit Switching

Revenue By Segments



India-Pvt + International contributed to 85% of total

International expected to show strong growth during the FY
BSNL/BBNL business will be lumpy- exp. to pick up during 2H

Focus is to
increase run-rate
business

Sales Update: India

Private

- Telcos making aggressive investments in optical capex
 - Upgrading their networks to handle data growth; increased tower fiberization
 - Large scale rollout of FTTX network planned to address home and enterprise broadband needs
- We are expanding wallet share through new application wins
 - FTTx based on GPON
 - Metro capacity upgrades: on OTN/DWDM
 - Enterprise data services

Government-Critical Infra.

- Dominant market share in this sector with a strong track record
- Strong product fit- we seamlessly modernize legacy networks
- Preference to Make in India (PMI) as well as security-sensitivity, benefits domestic manufacturers
- We see steady run-rate business across large number of customers in FY20

Government-Telco & USO

- USOF funds to be deployed for rapidly completing BharatNet-2 by March 2020
- DoT targeting 5M/10M public WiFi hotspots by 2020/2022
- Favorable policies such as Preference to Make in India (PMI) and NDCP 2018, for domestic companies
- Government keen to develop and nurture a domestic R&D driven, 5G ecosystem
- Revenues from this segment will continue to be lumpy. Expect to pick up in 2HFY20

Sales Update: International

South/SE Asia

- Emerging as a credible alternative for customers looking to diversify their suppliers
- Strong product-fit for market:
 - Ultra-converged platform integrating FTTx, WTTx, PTN and OTN in one shelf
 - Universal backhaul from 2G/3G to 4G/5G
- Continuing to increase regional sales investments
 - Focus on Malaysia, Bangladesh, Sri Lanka, Singapore, Vietnam
- Good customer traction and active engagement should result in a strong YoY growth in FY20

Africa/Middle East

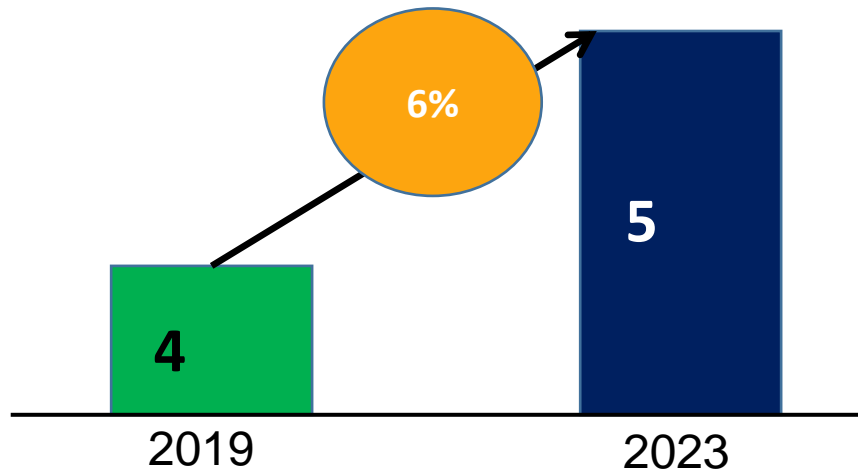
- Strong customer references in the region
- Local presence in South Africa, Kenya, Nigeria, Dubai, Algeria, Oman
- Applications where we are winning:
 - Alien wavelength: 100G/200G interoperable with multiple, existing DWDM vendors
 - Ultra-converged broadband access/edge
- Good customer funnel and engagements with multiple pan-African, Tier-1 operators should result in a strong YoY growth in FY20

USA/Mexico

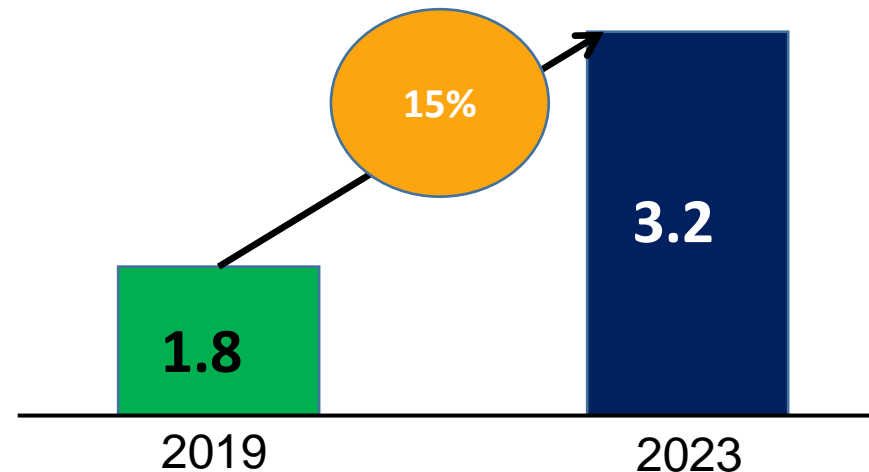
- In USA, we expect new customer wins and strong revenue growth, based on active customer engagements with Tier-2/3 operators
 - Added an industry veteran to lead US sales
- Mexico shows strong growth with business from existing customers incl. a Tier-1
- Strong traction for niche solutions in the area of Network Modernization, GPON, Rural Broadband
- OEM business is unlikely to grow much in future

Technology Focus on Access/Aggregation/Metro

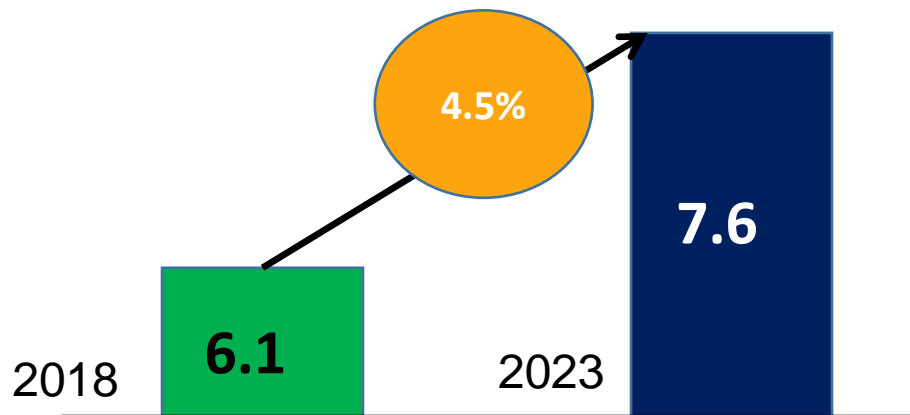
Optical/Ethernet Aggregation
(USD \$Billion)



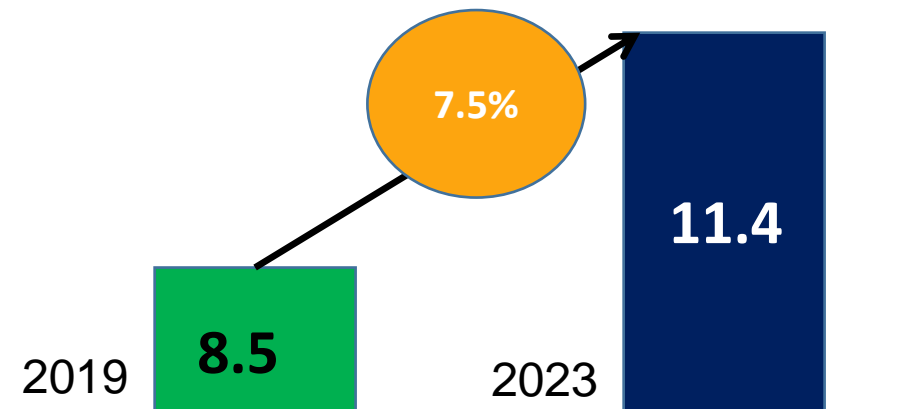
Fixed Wireless Access
(USD \$Billion)



Fiber-to-the-Home (GPON)
(USD \$Billion)



Access & Metro DWDM
(USD \$Billion)



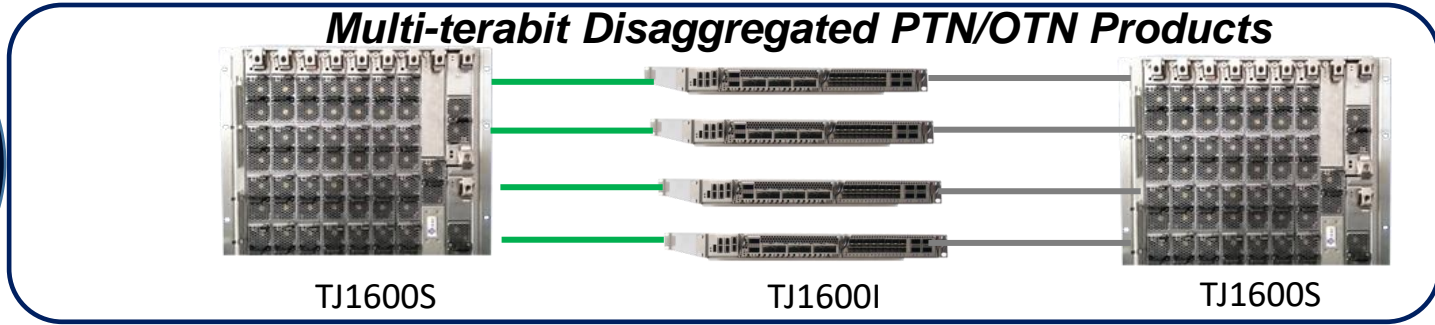
Source: Ovum and Company Estimates

End-to-End Product Portfolio

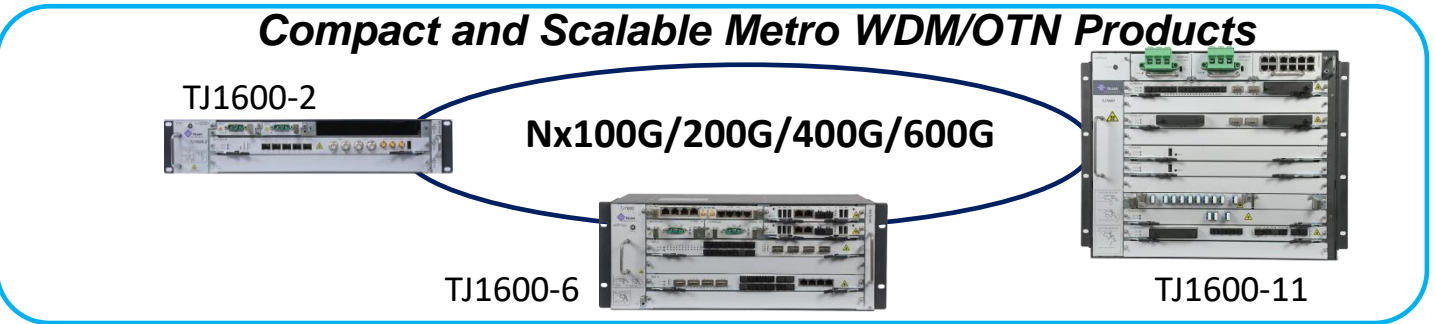
Terabits



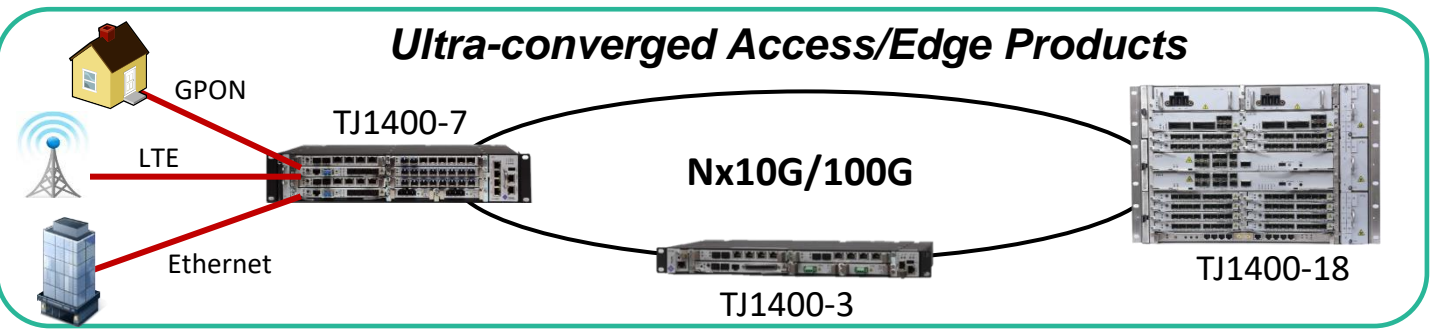
CORE



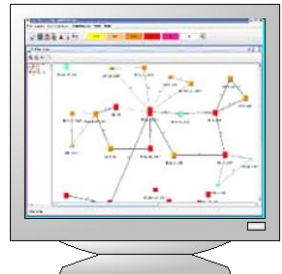
METRO



ACCESS



NMS, SDN CONTROLLER



TejNMS

Megabits

Network Applications: Where we win

MOBILE BACKHAUL

Converged Backhaul for
2G/3G to 4G/5G
5G-ready fronthaul



WHOLESALE SERVICES

OTN/PTN Cross-connects
Proven 100G/100G+ Alien
Wave Solution



ENTERPRISE SERVICES

Guaranteed QoS Support
for Low-latency Services



KEY DIFFERENTIATORS

BROADBAND ACCESS

Ultra-converged Access
integrating FTTx and
WTTx



UTILITIES

Seamless transition from
TDM to Packet;
Integrated solution for
SCADA & Teleprotection



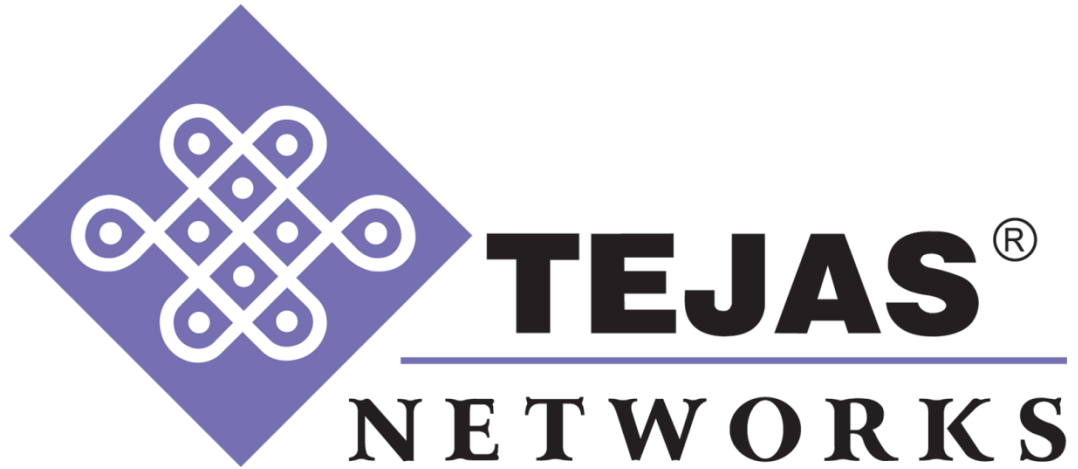
NETWORK MODERNIZATION

Dense Circuit Emulation
Flexible SDH/SONET
products



Key Takeaways

- Fundamental drivers for our business continue to be strong- data growth, broadband, 5G, cloud services and fiberization are driving optical investments
- Our focus is to increase our run-rate customer business (India Private and International) so as to reduce dependence on the lumpy, India-government tender business
 - India
 - India Private + International grew well and contributed to 85% in Q1 (versus 45% during FY19)
 - New applications wins driving growth in India-private accounts
 - Critical Infrastructure business (Power, Rail, Oil & Gas, defense) continues to be on a good run-rate trend
 - India-Government (BSNL/BBNL) business is lumpy- expect to pick up during 2H-FY20
 - International
 - Our consistent focus and sales investments in International-Direct has resulted in strong deal pipeline
 - Each of the 3 regions (South/SE Asia, Africa/Mid-east and America) expected to deliver robust growth in FY20, based on existing wins and new customer engagements
 - Medium term goal is to have international contribute to 50% of total business
 - Hired a strong sales leader for the US market
- Sustained R&D investments expanding our addressable market and competitiveness
 - We continue to invest aggressively in R&D and IPR creation- 349 patents and 288 semiconductor IPs
 - Globally competitive product portfolio for Broadband Access (fiber as well as wireless) and Metro aggregation
 - Gaining global recognition and international customer success for our products



Thank you!

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