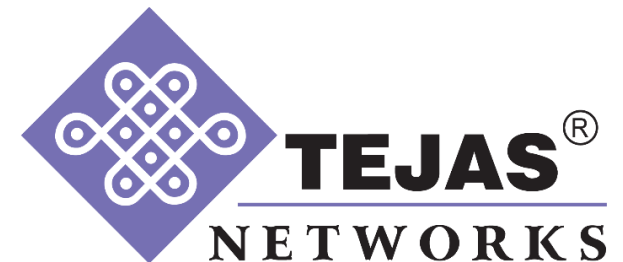




**TEJAS NETWORKS LTD**  
**EARNINGS CALL PRESENTATION**  
**Q4FY20**



# 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.*

# Q4FY20: Key Updates

- **Financial Update**

- Q4 Net Revenues: ₹52.7 Cr; FY20 Net Revenues: ₹379.8 Cr
- Q4 PBT: (₹126.5) Cr; FY20 PBT: (₹138.6 Cr)
  - Steep fall in revenue resulted in loss
  - One-time impairment charge of ₹69.9 Cr on intangible R&D assets
- Order book as on 31 March, 2020: ₹483 Cr (35-40% for revenues in FY21)

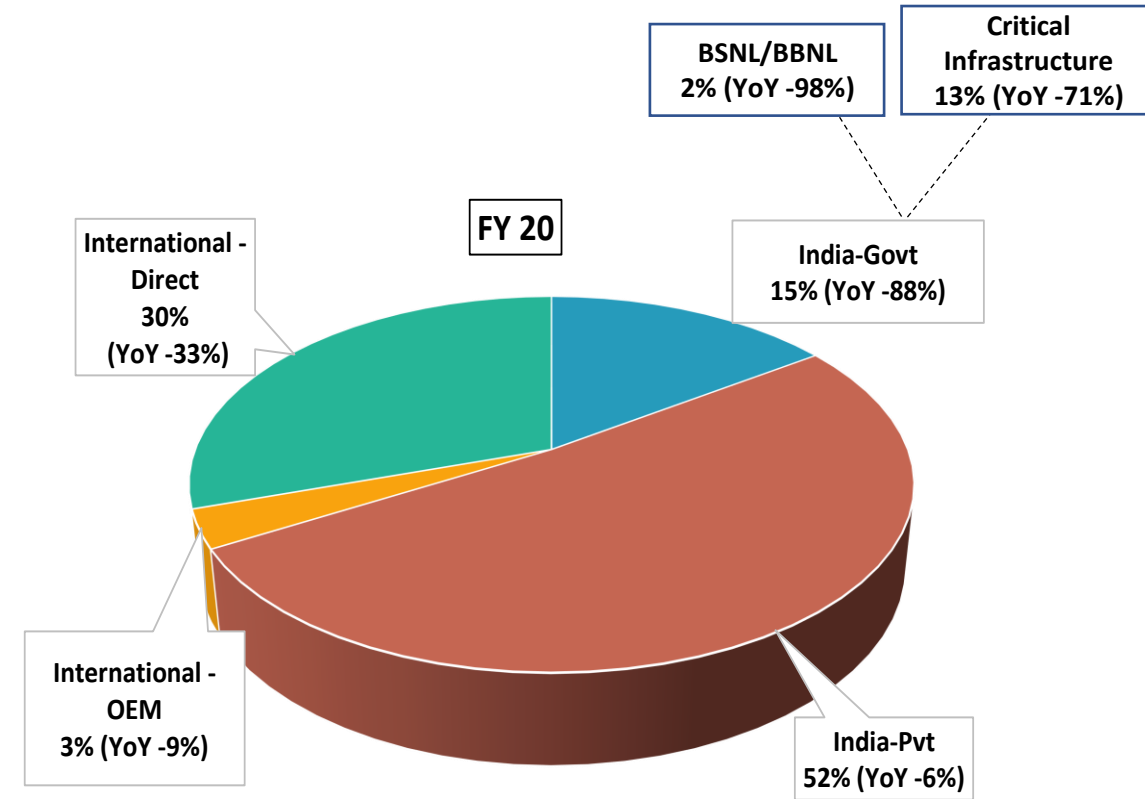
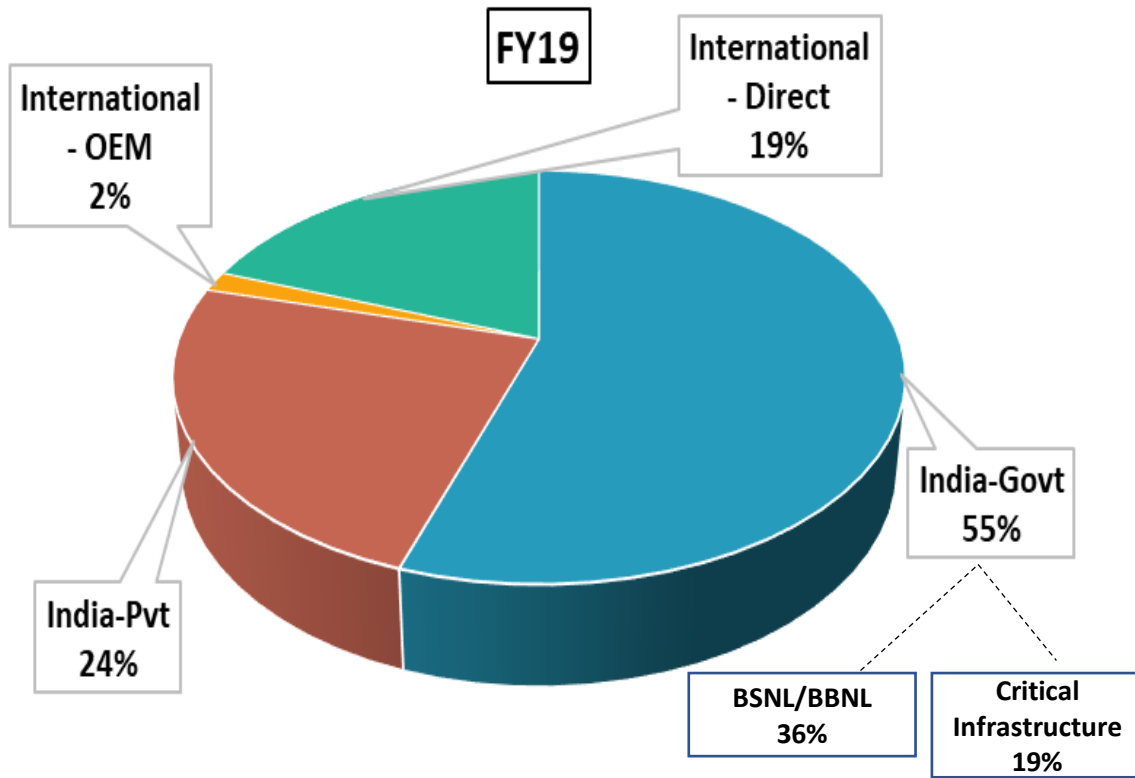
- **Sales Update**

- **Q4 revenues were adversely impacted by COVID-19**
  - Could not ship orders in hand, due to lockdown and logistical challenges
  - Pushouts in customer POs for business won, that were expected for Q4 revenues (mostly international)
- **FY20 revenues declined by 57% YoY**
  - **India which was 79% of total in FY19 revenues, declined by 63%. International did not grow as expected**
  - **India Government** business was weak (YoY decline of 88%)
    - BSNL/Bharatnet showed YoY decline of 98% since all projects got delayed
    - Critical infrastructure showed YoY decline of 71%, due to delayed project execution by Govt. customers
  - **India Private** declined due to sectoral issues (6% YoY decline)
    - Orders delayed, since operators cut back capex in 2H, post AGR judgement
  - **International** declined due to delayed POs (31% YoY decline)
    - Orders for business that we won got delayed in Q4 due to COVID-19
  - **Run-rate business (India-Private + International) declined by 18% YoY for FY20**

- **Patents:**

- Patents filed till date 349. During the quarter, 3 patents were granted taking the total granted to 116.

# FY20: Revenue By Segments



India-Pvt + International contributed to 85% of total (YoY decline of 18% for FY20)

International revenues declined, due to delays in converting business won into PO for Q4

Focus is to increase run-rate business

# Financial Update

	Amount in ₹ crore except EPS		
	Q4-FY20	FY20	FY19
Revenues (Net) <sup>1</sup>	52.7 (YoY -80.2%)	379.8 (YoY -56.7%)	876.7
EBIT before impairment <sup>2</sup>	-69.1 (YoY -295.9%)	-94.6 (YoY -172.6%)	130.3
EBIT after impairment <sup>3</sup>	-139.0 (YoY -493.9%)	-164.5 (YoY -226.2%)	130.3
PBT	-126.5 (YoY -441.2%)	-138.6 (YoY -192.4%)	150.0
PAT <sup>4</sup>	-126.5 (YoY -452.5%)	-237.1 (YoY -261.0%)	147.2
EPS	-13.73 (YoY -450.4%)	-25.76 (YoY -259.8%)	16.13

## Notes:

- 1. The Revenues (Net) are net of taxes (excise duty/GST) and pass through component sale to our contract manufacturers.*
- 2. There was a provisioning of ₹ 18 Cr as ECL loss in Q4, to account for payment delays from BSNL and others*
- 3. There is an one-time impairment loss of ₹69.87 Cr on intangible R&D assets, including CWIP and Capitalized R&D.*
- 4. There was a reversal of deferred tax asset of ₹99 Cr for FY 20 on account of reduced profitability outlook during FY 20.*

# Key Financial Indicators

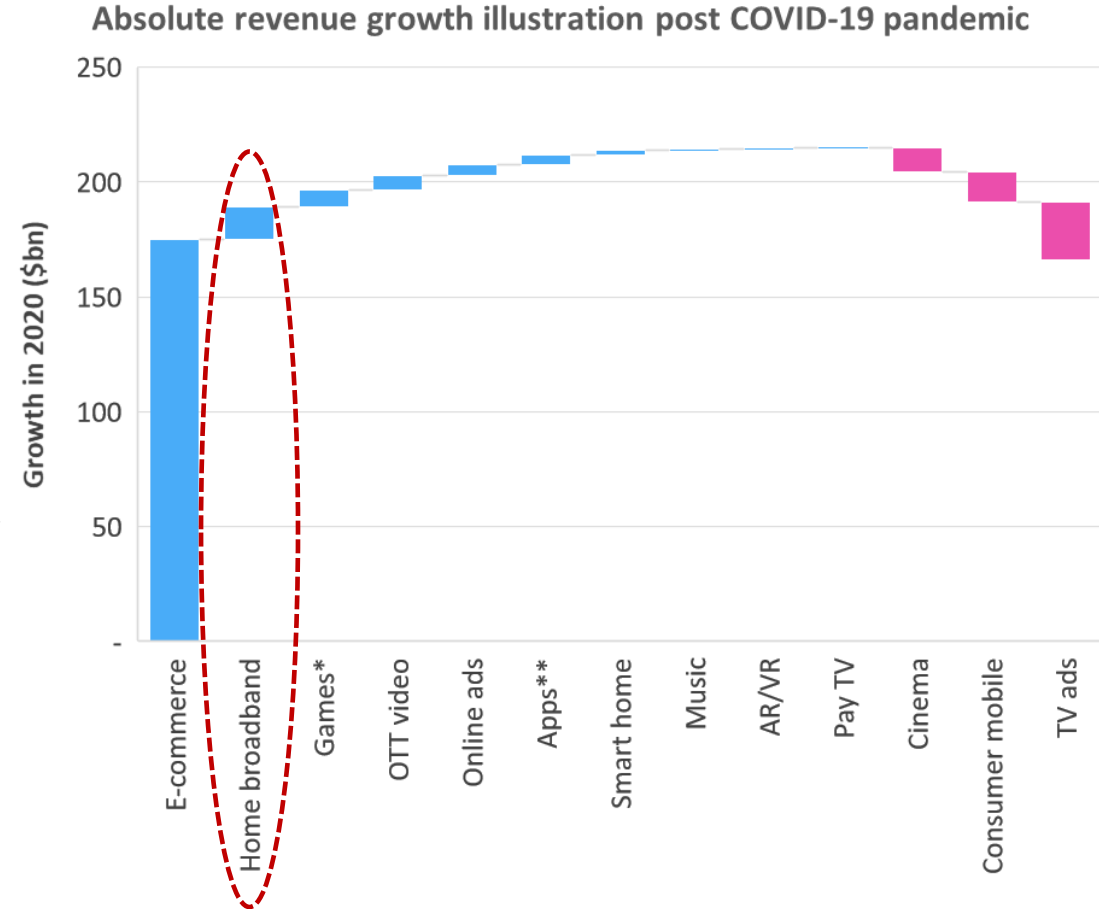
	Amount in ₹crore	
Particulars	Q3-FY20	Q4-FY20
Cash flow from Operations	28	(2)
Net Worth	1,207	1,081
Inventory	245	252
Trade receivables	504	456
Net working capital <sup>1</sup>	636	540
Borrowings	1	-
Cash and Cash Equivalents	296	280

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 Net worth declined by ₹ 126 Cr during the quarter
  - One-time impairment charge on intangibles of ₹70 Cr.
  - Loss of ₹56 Cr
- Inventory increased to ₹ 252 Cr
  - COVID-19 resulted in pushout of shipments from Q4
  - We expect to consume a large part of this inventory in FY21
- Trade receivables reduced to Rs 456 Cr
  - We received only ₹ 2.4 Cr from BSNL in Q4, lower than expected
  - ₹ 300-350 Cr is expected to be collected during FY21
  - DSO increased from 268 days to 382 days (as on Dec-19). Excluding BSNL, our DSO increased from 170 days to 224 days (as on Dec 19)
- Working capital decreased by ₹41 Cr in FY20.
- Cash Position:
  - We are a debt-free company, with cash and cash equivalents (incl. investment in mutual fund) of ₹280 Cr
  - We expect to improve our cash position during FY21, based on collections, use of existing inventory and tight expense control
  - We are well covered to meet our cash flow needs for next 12 months

# COVID-19: Impact on our Business

- Our response and business continuity
  - We have been able to continually provide technical support to all our customers globally and help them maintain network uptime of >99.999%
  - Implemented Work-From-Home for all employees. Obtained curfew passes for critical staff to keep technical and manufacturing operations running
- Near-term uncertainty
  - Challenges in operations due to lockdowns, various Governmental restrictions and supply chain and logistics disruptions
  - Possible delays in execution of orders in hand, delays in receipt of new customer orders and payments
- Telecom Networks have proven to be mission-critical. Sharp rise in data traffic seen across the world
  - Homes morphing into small offices due to work-from home
  - Increased use of home broadband and data consumption for e-learning, entertainment, shopping and social networking
  - Marked shift from mobile services to broadband/WiFi in urban centres
- Net impact on our business is positive in the medium & long term
  - Optical and xPON (for FTTX) spending is expected to be strong due to increase in residential bandwidth demand
  - Significant bandwidth upgrades expected in access and backbone networks.
  - Fiberization will continue to increase. Telcos will continue to invest in their existing 4G networks. Expect some delays in 5G rollouts
  - Customers are looking to diversify their supplier base, away from China



Source: Omdia report dated Apr, 2020

# India: Business Update and Outlook

## FY20 Update

- **Government Accounts**
  - BSNL/Bharatnet
    - No business from BSNL or Bharatnet (central) during the current FY due to project delays.
    - Collected Rs 88 crore of pending BSNL/BharatNet payments during FY20
  - Critical infrastructure
    - Won new orders for utilities (Railways, Metros, Power and Oil & Gas), smart cities and video surveillance projects; execution delayed and expected for FY21
    - Few large orders intake (for defense and other projects) pushed out to FY21
  - Preference to Make-in-India policy was strengthened
- **Private Accounts**
  - Significant capex slowdown due to AGR issues
  - Won new application for GPON product with a large operator. Revenue impact from Q2-FY21
  - Partnered with Tatas to rollout one of world's largest public WiFi networks across 4000+ railway stations

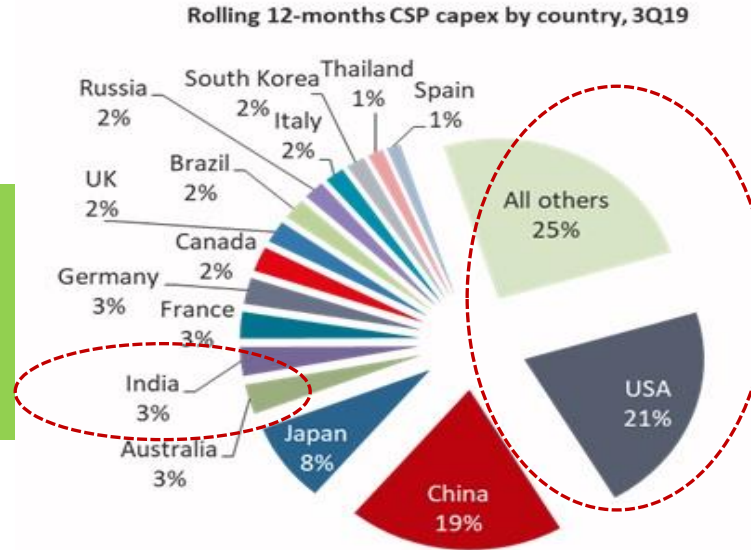
## FY21 Outlook

- **Government Accounts**
  - BSNL/Bharatnet
    - Government has announced plans to increase Bharatnet coverage from 125,000 to 250,000 by August '21.
    - Some state Bharatnet project expected to get executed in FY21
    - BSNL is planning to roll out 4G and will also be upgrade their optical backbone network
  - Critical Infrastructure
    - Strong order backlog (including Q4 pushout) which will be executed in FY21
    - Good visibility for new orders against tenders that we bid during FY20. Some of them targeted for execution in FY21.
    - Expect to get new orders from SI partners for defense networks and some state-led fiber projects (where they have won)
- **Private Accounts**
  - Sharp increase in networks data traffic expected to result in capex spends in optical and home broadband
  - Strongly positioned as incumbent suppliers to all leading operators- new application wins from FY20, expected to help us get a larger wallet-share of their spend in FY21



# Sizeable Opportunities in International

Addressing ~40% of Global Market



Source: Omdia report dated Apr, 2020

Tejas TAM for FY21:  
\$9.4 Billion

## Africa and Middle East

- Targeting South, West and East Africa with local leaders
- Middle-East & North Africa, split out as a new region, with local leader
- Total Addressable Market of ~\$2b in target countries expected to grow to ~\$2.5b by 2023

## South and S.E Asia

- Targeted countries: Bangladesh, Sri Lanka, Bhutan, Malaysia, Vietnam, Cambodia, Indonesia, Philippines, Myanmar, Laos, Taiwan
- Total Addressable Market of ~\$2.3b in target countries; expected to grow to ~\$2.8b by 2023

## USA and Mexico

- Focus on USA, Mexico, Canada
- Mexico- targeting all operators
- USA- targeting only Tier 2 and Tier-3 operators; using local SI
- Total Addressable Market of ~\$5.1b in target countries expected to reach ~\$5.9b by 2023

# International: Business Update and Outlook

## FY20 Update

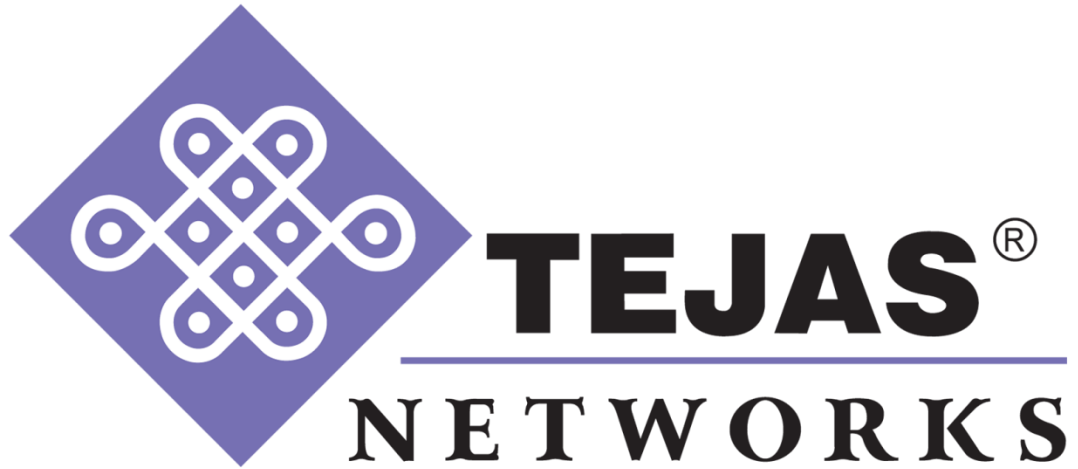
- **Africa and Middle East**
  - Strong revenue growth of 20.1% during the FY
    - Signed up 3 Tier-1 operators
    - Significant repeat business from large Carrier of Carrier
  - Hired strong Sales Leader for overall Africa and regional director for MENA
- **South and South East Asia**
  - Revenues declined by 58.5%, due to order pushout by customers in Malaysia, Bangladesh & Vietnam in Q4.
  - New Tier-1 customer win in Hong Kong.
- **North America (Mexico and USA)**
  - Mexico
    - Won new Tier-1 customer. Continued to win repeat business from existing customers
    - Revenues declined due to pushout of orders in Q4
  - USA
    - Hired experienced Head-Sales & CTO in FY20.
    - Business in FY20 was low, but won 6 new customers and signed strong System Integrator (SI) channels

## FY21 Outlook

- **Africa and Middle East**
  - Strong order funnel for FY21 from existing customers.
  - Market growing steadily due to increased broadband penetration and build-outs for web-scale companies
  - New customer wins expected for our converged access solution (GPON + Wireless)
- **South and South East Asia**
  - Good order funnel for FY21, from Q4 pushouts, from existing customers.
  - Additional sales focus on few specific countries which were earlier not covered well
- **North America (Mexico and USA)**
  - Mexico: Strong order funnel for FY21 from existing customers. New applications wins expected to give us a higher wallet-share.
  - USA: Using local SI channels for increasing reach across Tier-3 customers, while directly addressing Tier-2 customers

# Q4FY20: Key Takeaways

- FY20 saw a sharp decline in revenues and profits, primarily due to India business
  - India business declined sharply due to unprecedented turbulence and financial stress in the sector and slump in Govt. orders (88% YoY)
  - Q4 was adversely impacted by COVID-19, resulting in missed shipment (for orders in hand) and delayed orders for business that we have won
  - While we made a lot of progress internationally, orders from some of our large wins got pushed out of Q4
- Cash position of the company is strong- ₹ 280 Cr cash and no debt
  - We are covered to meet our cash flows needs for growth over the next 12 months, even under adverse business conditions
  - With receivables of ₹ 456 Cr and inventory of ₹ 252 Cr, we expect to improve our cash position during FY21
  - We will continue to focus on expense management and burn-rate reduction
- Our sales focus is to increase our marketshare in international and get a larger walletshare of our existing customers in India
  - Our order book as on Apr 1, 2020 is ₹ 483 Crores, out of which 35-40% will be for revenue in FY21
  - We see strong momentum in our international business with multiple large value wins across countries and are on track to meet our medium-term target of 50% of total
  - Our focus is on winning more business from existing customers by getting selected for new applications
  - We have been chosen for supplying home broadband (GPON) equipment by a large Indian customer, which is expected to give us multi-year revenue growth
  - We expect to benefit from recovery of Indian telecom sector and Government telecom spending, due to Make-in-India policy
  - We continue to make appropriate R&D investments to increase our product competitiveness, which is reflected in new applications wins against global competitors
- We expect near-term volatility in our business due to COVID-19
  - There could be delays in shipments, delays in new orders and receivables and disruptions/reduction in manufacturing and R&D operations
- Medium-term outlook, post COVID-19 is positive
  - With Work-From-Home and access to many services from home becoming the new normal, data traffic on telecom networks has seen a surge and telcos globally are expected to increase their investments in home broadband and in upgrading capacity of their backbone networks
  - Macro drivers of our business continue to be robust- continuing growth in data usage, broadband adoption, 5G, cloud, data center and increased fiberization
  - We offer a credible alternative for customers who want to diversify their supply chain risk away from China



Thank you!

## Contact Us:

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

Contact - +91(80)41794600