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August 01, 2020

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 - Tejas Networks Limited Q1 FY 2021 Earnings Conference Call

Please find enclosed the transcripts of the Q1 FY21 Earnings Conference Call held on July 27, 2020.

The same is also made available on the website of the Company at www.tejasnetworks.com.

This is for your kind information and record.

Thanking you,

Yours sincerely
For Tejas Networks Limited

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

“Tejas Networks Limited
Q1 FY2021 Earnings Conference Call”

July 27, 2020

ANALYST: **MR. SANTOSH SINHA – AXIS CAPITAL LIMITED**

MANAGEMENT: **MR. SANJAY NAYAK – CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR – TEJAS NETWORKS LIMITED**
MR. ARNOB ROY – CHIEF OPERATING OFFICER & WHOLE-TIME DIRECTOR - TEJAS NETWORKS LIMITED
MR. VENKATESH GADIYAR – CHIEF FINANCIAL OFFICER – TEJAS NETWORKS LIMITED
DR. KUMAR N. SIVARAJAN – CHIEF TECHNOLOGY OFFICER – TEJAS NETWORKS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Tejas Networks Limited Q1 FY2021 earnings conference call hosted by Axis Capital Limited. 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Santosh Sinha from Axis Capital Limited. Thank you and over to you Sir!

Santosh Sinha: Thank you. Good evening everyone on behalf of Axis Capital I welcome all the participants to the conference call. Today, we have with us from Mr. Sanjay Nayak, Chief Executive Officer & Managing Director of Tejas Networks Limited, Mr. Arnob Roy – Chief Operating Officer and Whole-Time Director, Mr. Venkatesh Gadiyar, CFO of the company and Dr. Kumar N. Sivarajan, CTO of the company. We will start with the overview of the company's performance for Q1 FY2021 and then we can switch over to Q&A. Thank you and over to you Sir!

Sanjay Nayak: Thank you and welcome everybody to the Tejas Networks earnings call. First of all I hope everybody is safe and doing well and healthy at home or wherever you are joining the call and secondly I also wanted to let you know that it is a very proud moment for us that this year we have completed 20 years of our existence so I wanted to take this opportunity to thank all the investors who have been part of our journey. I hope you had a chance to download the presentation that we have put up on our website for the Q1 I am going to be using that as a cue during the conversation today.

Let me start off with the first slide in terms of Q1 FY2021 the key updates, in terms of financials our net revenues, net of taxes and net of component sales was 77.4 Crores which was at a year-on-year decrease of 50.6%, although if you take Q4 revenues it was an increase of 47%. We had a loss of 9.8 Crores from operating cash flow perspective we had a 10 Crores of cash flow positive for the quarter.

As you know we are a debt free company and our cash and cash equivalents are at 272 Crores. During the quarter we had a good order inflow of 188 Crores as a result of which the orders in hand is now 593 Crores which is the best order book that we had in the last eight quarters, an approximately 35% of this 593 Crores should be executable in the rest of this year.

In terms of the revenue profile international revenues contributed to 53% of the total although the total revenue base was smaller but international was the larger portion of the revenue for the quarter. In terms of sales update our Q1 revenues were impacted adversely because of lockdown restrictions on account of COVID-19 as you know April and May two months were almost a washout in Bengaluru and probably most other parts of India so we had customer's orders we could not ship them because many orders are dependent on customer acceptance and the customers could not come to the factory for doing customer acceptance because of travel and other restrictions and we of course had customs issues or logistic issues as well so net-net I think there was a shortfall in terms of the shipments that we could not make despite having the orders in hand.

In terms of the profile of business, the India's government business revenues were weak, year-on-year decline of 52% compared to Q1 of last year. There were no real revenues from BSNL/BharatNet during the quarter because the projects are not yet operating at full steam. The revenues from the critical infrastructure segment were low, but the new order inflow was very strong and I will talk about that a little bit later as well.

In terms of India Private the revenues declined 76% year-on-year again due to the same challenges that the shipments were deferred due to lockdowns both at our end plus in many situations our customers godowns to wherever they take the inbound of the equipment did not happen because they themselves were having challenges in rolling out new networks so that again impacted some of the revenues for the orders that were in hand.

On the positive side, we are happy that we have won home broadband on GPON with two Tier-1 operators in the country this is the rate contract that we have signed we have been selected. We expect that starting from second half of the year we should see revenues coming in from these two applications and this could be a multiyear kind of situation for us.

The international business side was strong so even on an absolute basis we had a 52% year-on-year increase and another thing which was very interesting for us that from three different geographies we had orders worth more than a million dollars each two of them are existing customers in Africa and Asia and one was a new customer. In addition, we also had three customer wins South East Asia and three in Middle East and Africa. If we see the run rate business which is India Private plus International about 86% of total and the tender driven business was only about 14%. On an overall basis there is a lot happening post COVID-19 both in terms of increased demand for bandwidth and of course the new geopolitical environment which is emerging both in India and internationally so we believe that it is opening up a lot of opportunities for us which I will again talk about in the next few slides.

Let me now handover to Venkatesh, our CFO, who would walk us through the next two slides in terms of more financial details after which I will again take back the conversation.

Venkatesh Gadiyar: Thank you, Sanjay. Good evening everyone. The financial update, net revenues for Q1 were 77.4 Crores saw a decline of about 50.6%; however, sequentially up by 47%, EBIT loss of 13.2 Crores year-on-year decline of 299.4% I would like to highlight one thing here that the cost of materials were reduced to 44% of the revenues during the quarter compared to 58% for Q1 of the last year. This improvement primarily came from international revenues. The lower revenues resulted in the PBT loss since majority of the cost other than the material cost are linked to the manpower and are quasi fixed and overall costs are under control; however, the operating expenses reduced by 19% on a year-on-year basis, we had a PBT loss and PAT loss of 9.8 Crores with a year-on-year reduction of 195.6% and 266.8% respectively. The EPS was negative Rs. 1.06 per share.

Key financial indicators, during the quarter we had a positive cash flow from operations of Rs.10 Crores. The inventory decreased by 14 Crores to 238 Crores, based on the orders in hand we expect to consume a large part of the existing inventory over the next few quarters. Trade receivables reduced by a 20 Crores from 456 Crores to 436 Crores. In Q1 we had collected 103 Crores from the customers. Some delays from the customers were there due to the COVID-19 issues. BSNL, BharatNet collections continued to get delayed, on the BharatNet outstanding excluding the retention of about 70 Crores about 110 Crores of amount is overdue which is expected to be collected in this financial year.

The DSOs and inventory days have been increased due to the lower LTM revenues however from absolute numbers they have been reduced from Q4 to Q1 level and expected to bring down the DSO and inventory during the coming quarters of the financial year. Despite payable reduced by 14 Crores, our working capital has been reduced by 9 Crores in Q1. By making use of the existing inventory and the expected collections we will continue to improve our working capital during the financially ear. Our cash position decreased by 8.5 Crores in Q1 and we expect the cash position to improve on a quarterly basis during the rest of the financial year.

We continue to be a debt free company and our cash and equivalents including bank deposits and investments in liquid mutual fund amounting to Rs. 272 Crores as of June 30, 2020. We managed our working capital well despite seeing certain payment delays from customers due to COVID-19 situation. While the uncertainty due to economic impact of COVID situation remains, financially we are well positioned to invest and benefit from the opportunities in front of us. With this, I will hand over to Sanjay once again.

Sanjay Nayak: Thank you Venkatesh. I am on the slide on the COVID-19 update on our business. As Venkatesh said and I am sure all of us understand that from a short-term point of view there is definitely going to be impact which is a little bit unpredictable because of the COVID situation and the economic impact we have, but from a business continuity point of view I am very happy to report that we were able to continually support all our customers worldwide and we could maintain their network uptime of more than 99.999%. So I think this was something which our customer support team has been exceptional at. Secondly because of lockdown and travel restrictions as I mentioned earlier we had an impact on operations both from customers not being able to come to our factory for factory acceptance, outbound logistics challenges, delays at customs and of course the delays from customer's perspective asking us not to ship out the material because their inbound and godowns are not open to accept shipments, so all that impact happened in Q1. In terms of our employee productivity, I am again very happy to report that very quickly we were able to implement work from home for majority of employees and they have been working very productively and for those people who need to come to the office as well as the factories we have done everything possible in terms of safety measures ,social distancing and all the health and other best practices that we have learned and so we have been able to manage our factory operations as much as we require as well hardware and other labs being fully operational to support rest of the company. In summary on the business continuity side we do not see any challenges or issues.

Second thing I would like to point out is that among the few industries in the world which because of the COVID would see hopefully a positive impact, telecom is one of those and clearly telecom networks have been proved to be mission critical, data traffic has seen a significant increase around the world with work from home, learn from home, video entertainment and everything else probably. One of the points I was trying to make is that the telecom networks have proven to be mission-critical. There is a sharp rise in data traffic and clearly capacities are choking and customers really want fiber-based broadband at home because when you have your kids doing online classes and you doing Zoom calls or other video calls all the day the mobile broadband is not good enough that is the second thing we are seeing.

Third is that the operators in India and other parts of the world have figured out that home broadband connectivity is a much higher ARPU business than mobile broadband connectivity, where the margins are getting a little bit tight and that is why people are very keen to upgrade the network capacities both for home broadband as well as metro networks. So what we are seeing really is an increase in order from our existing customers so this is a trend which is becoming clear at least after the first quarter from the existing customers we are getting more orders we are getting higher share of their wallet especially in the case of home broadband on XPON which is GPON and GPON kind of technologies and for metro optical which is basically pooling together of all the higher bandwidth network in metros and cities and so on but this is one area where we are seeing a lot more business coming.

Fiberization will continue as telcos invest in increasing their wire line broadband infrastructure and also augment the rise in capacity of their 4G and upcoming 5G networks so the part of the business that we cater to is something that there will be an increased spending by the operators. On the other side, we are also seeing a trend that internationally because in India we know all the customers and they know us but internationally whichever customers we are already there we are seeing a very strong business inflow but new customers acquisition is becoming a little bit delayed because of travel restrictions. We are not able to complete lab demos and field travel especially for larger customers who would definitely insist on that process. Some of the customers are preferring to maintain status quo from their suppliers during the COVID time they do not necessarily want to introduce a new vendor; however, I must tell you that our sales team and all of us in senior management have actually been able to reach out to almost all our customers including the potential and new ones via webinars, virtual meetings. We really figured out a very good way to engage with the customers and we have even set up a remote lab demo and so on and so forth. So everything that we can do for winning new customers internationally is happening but there is clearly a trend that the new customer orders may get delayed whereas from the existing customers we can get more business.

Coming to the next slide about the revenue segmentation so if you see the chart on the left hand side is the annualized version of how our revenue was in FY2020 where we saw India government was around 15%, India Private was 52% and International between direct and OEMs because OEMs now becoming very small is around 33%. If I take the Q1 numbers, international is 52%, India Private is around 33%, Government is 14% and between government all of it is almost critical infrastructure because as I said we did not have any business from BSNL/BBNL in Q1. Not that we lost anything but nothing really happened. So net-net our focus continues to be getting international and India Private to be a larger portion of revenues going forward. Of course Q1 was a small quarter but as the year progresses we do expect that both these segments will continue to grow healthily.

Coming to the next slide in terms of the two segments both India and International, I will just dive down into both of them. In India business government accounts BSNL and Bharat Net Fiber to take that as a bucket, government has clearly announced plans to increase BharatNet coverage from 125000 villages to 250000 villages by end of March and provide 50000 broadband connections to villages.

Government of India has also figured out that during COVID times digital connectivity to villages was really a way for them to implement a lot more of the schemes that they have talked about of reaching to the poor and everything else so this is something which isa high priority project. In terms of the BSNL the financial package has been approved by the government and under that package they have to rollout a new pan-India 4G network this will again present us opportunities for tenders in upgrading the optical backbone or backhaul as well as the 4G radio network on the wireless side. We are closely watching how those tenders are progressing and once those tenders come to a fruition state we will have better play on that. In terms of state-led BharatNet projects Telangana project our system integration partners had won it. We have started to get the orders from them in this quarter and the last quarter and some orders should come this quarter. Another state BharatNet project which is at a tendering stage is Tamil Nadu that is again where we will be bidding for the equipment portion which is reasonably large in that tender as well.

In terms of critical infrastructure, Oil and Gas, Defense, Smart Cities, Railways, and all that this is a segment which is doing extremely well for us. We received new orders for a large defense network from a system integration partner. We also received orders for smart city and other smart campuses again from SI partners. We have already submitted bids and are seeing new tenders in railways, power, oil and gas, metro rail sectors. In this segment we already have a strong order backlog and we also have a fairly good visibility of new orders some of which will get executed in this financial year as well. I would say this part of the business we see government continuing to spend and accelerating those projects. For example video surveillance is one application where there are a lot of things happening and we seem to have a good handle on that and our philosophy there is we will work with system integration partners in most of the government business rather than doing things directly so that we just focus more on the products.

In terms of private accounts, as I mentioned that increasing ARPU and pent-up demand for broadband services both for home as well as small and medium enterprises is motivating the operators to increase their capex in wire line broadband segment which we expect during the financial year will be robust. Of course, in Q1 because of the logistic challenges operators did not roll out many new networks both in India or outside of India which in turn resulted in them not lifting a lot of equipment but as the year progresses and things start becoming normal or closer to normal this trend should definitely accelerate. Again as I mentioned we are very happy that we have been selected by two tier-1 operators in India for home broadband application in GPON whenever they give a fiber broadband services we had signed rate contracts with them and we expect that we should see revenues on a run rate basis over the next few years as those home broadband and SME broadband roll outs happen. Network expansion in the near term will be at a slow pace but as the year progresses and as the restrictions ease we should see that spending to happen.

The third bullet I would like to highlight is that as the leading India-based equipment vendor with this emerging geopolitical situation in terms of border and government's focus on Atmanirbhar Bharat I think provide us with a favorable environment. We are probably the only company in the country which has the largest design and made in India product portfolio. I will talk about it later as well, but overall this seems to be a positive development for our business. How it pans out and how strong the government intent and resolve is to implement these two initiatives is something which we all be closely watching but at least at a macro level it seems like a good situation to be in.

On the international side again we are seeing a very interesting trend that because of geopolitical issues and because of various tensions and because of US government making very strict orders in terms of chip supplies or even the Fab which can produce chip from a certain country there is a significant amount of motivation for the customers to derisk the supply chain and diversify their supply base from one country to other. As a result of that in whichever account we were there, we see that our wallet share in that account is increasing because customers feel that we have a fairly compelling value proposition in terms of competitive technology as well as competitive costs compared to what they have been buying from others and we see this as a very good trend emerging.

Specific geography wise Africa and Middle East is doing very well for us and the basic thing is that there is increased broadband penetration. Web scale companies are building data centers and wiring up Africa in a big way and that in turn is demanding more bandwidth from our customers and we are seeing a lot of good traction for our DWDM which is the high capacity optical transmission product as well as the home broadband GPON product that I talked about. Our converged access solutions are doing well because many places in Africa do not have fibers today using a wireless access along with GPON wherever they have fiber. So we do see a good order visibility for the rest of the year from Africa and I would also like to say that we won a multiyear multimillion dollar rate contract with one new customer in Middle East which should give us good revenues over the next couple of years as well. In South and Southeast Asia we again see a good order visibility from our existing customers where we expect to get a larger wallet share and we also got a new million dollar plus customer order from one customer in South Asia.

North America is not doing that well for us at this stage. The business in Q1 was slow primarily because of the COVID-19 situation and given where things are we do not think too many things are going to happen in Q2 either. Mexico where we have a lot of incumbency we have completed successful trials for a new application again based on FTTX with a large customer but we think the orders would really happen only in second half. USA we have now started to appoint a few channel partners to access the smaller customers because it is very difficult for us to reach all the customers so we have submitted a lot of these to tier 2 and tier 3 operators. As I mentioned earlier the delays in decision making is happening because the lab demos and lab trials and field trials have not been completed but not to the extent that we are pushing those but our belief is that in the first half of the year the entire North American business for us at least being a new incumbent a new player into that market is going to be slow.

I am now moving to the next slide in terms of where we are winning in terms of products, in competitiveness, so really there are four segments that we seem to be doing quite well in India as well as internationally. Number one is home and office broadband so that GPON technology that we have created the one which we deployed for BharatNet is now also going to be deployed with large private operators in India as well as in many other parts of the world and we believe that this is something which are very competitive and we are now getting to economies of scale to be able to really have the best-in-class technology as well as competitiveness in terms of price.

The second area we are doing very well is the critical infrastructure. We mentioned about this last year. What is happening in critical infrastructure in all the utility sector whether its oil and gas whether its defense or its many other segments of that business they are really doing a network transformation which means they have legacy networks which are modernizing and there is significant amount of telecom investment happening for example every time we have a new railway or new oil and gas pipeline they put video surveillance, lot more monitoring of telematics and so on and so forth. So that is another area where we are doing extremely well and we have fairly strong incumbency and I think we seem to be getting more and more traction in that area.

The metro capacity expansion that I talked about that once you have more data coming out of home broadband network and offices consuming a lot more data the capacities in network have to be increased so this is again where our WDM and OTN for the metro and core networks are doing quite well.

The last bit there is the 5G ready mobile backhaul so while in many geographies where we are operating 5G really has not started to happen in any significant way, I am talking of other than North America so in Southeast Asia or Africa or India we do not have 5G yet so there is still an expansion of 4G happening but in anticipation of 5G the technology which is being deployed is something again that we cater to. So those are the four areas where we are winning.

Coming to the next slide which is product differentiation slide I just wanted to kind of put this slide from a slightly different perspective. If you see three, four, five years back when we started talking to all of you as public market investors we were primarily an optical transmission company which was in the metros and so we were really doing the middle segment which is optical transmission and we were doing some other segments some of the products in the metro core segment. Today I am very happy to say that all the sustained

R&D investments which we have made we have been able to add two different segments to our business.

On the left hand side of the chart is the broadband access so if you see we added the GPON portfolio where BharatNet was the anchored customer and subsequent to that now we are into private telcos in India and then similarly in many other operators around the world so that was one part which is on the GPON FTTX technology. Second thing which we did is the same product that we are doing for optical transmission we repurposed them as Ethernet switches for smart cities and defense application and that became really a very good product portfolio to add for critical infrastructure because security considerations have become important. This is another area where we have been getting a lot of success and then the third bucket where we have not yet got much success but we are looking at larger anchor deals to happen is on the wireless side. We have built a 4G wireless product, it can be upgraded to 5G so this is a base station that we have built and the good part is all these three access technologies, the wireless, the GPON, and the Ethernet are all going into the same box that you see in the picture so this is what we call as the ultra-converged broadband access and this is something unique in the world that nobody really has. So this is the value we have been able to create on the broadband access side.

On the right hand side of the chart at extreme right hand side earlier we used to do up to 1 terabyte of switching capacities for metro, we have upgraded that late last year we launched a multi-terabit switch for the core for which currently we are having customer trials because this is a very large and very, very high capacity switch we do not have much commercial success as yet but this is another area that we have added.

Now we can see that between wireline, wireless, core and access we really have a very, very strong portfolio of products and this is something which has become a good differentiator for us in terms of increasing the addressable market as well as the current strength when you talk of Atmanirbhar Bharat. So we really believe that the amount of technology we have created the amount of products we have created we are probably well ahead of anybody else in the country to really be able to stand up and say as to do we have all the products to build an end to end network so in the optical domain we have products to build everything from the access of the network to the core of the network similarly on the GPON side not only do we have GPON which is what we deployed in BharatNet we also have something called Next Generation PON which is a 10 gigabit version of that technology which is just being turned up in a few parts of the world and hopefully we will be deploying that technology with a few operators in India as the market matures.

So GPON is another area where we have now full range of products both on the headend side which is called OLT as well as the customer premise devices which are called ONTs so we have created cost effective versions of that as well. So there could be a possibility that some of Tejas products could go into people's homes in India as they get new broadband connectivity.

On the wireless side, this is a new part of the business which we have been investing over the last few years and we believe that with a few anchor opportunities that could emerge in India as a part of Atmanirbhar Bharat or trying to really do a lot more things internally we could see a scenario for us where for the radio access network we could have our LTE based product which are of course 4G today and upgradable to 5G so all the core technologies is there and then we talked about the secured Ethernet switches and router because security is very crucial and having switch with just some gigabytes to terabytes for video surveillance, enterprise network, and defense and something that we have done very well and from our point of view the full ownership and control of all software, hardware, design, IPR as well as 100% local manufacturing enables us to meet all the Make in India requirement.

In summary what we are trying to do is we really want to become the product provider for the system integrators who would be executing these large projects within the country. We believe that our core strength is building products which we do and system integration which is putting project management together and which has much larger cash flow and other implications would really be partnering with larger system integrators both in the private sectors as well as PSUs and we have successful relationship with pretty much all the leading SIs in the country and with a track record of executing large projects whether it is a BharatNet or Defense or anything else. We believe that if these opportunities indeed materialize as the government intent is we should be able to see an interesting business opportunity for us.

Coming to the last slide and after that we will get into the Q&A session, it is really I want to see that where is our business at the end of Q1. So clearly Q1 revenues were impacted adversely because of COVID-19 we could not ship some of the orders despite having business but that is the reality that we just have to face. International seems to be picking up to 53% of total and we won additional new orders from customers in other geographies. Good order inflows despite the fact that two months of the year, two months of the quarter were quiet, lockdown and customers themselves were not in a position to release orders. I think we booked 188 Crores of new orders in hand and as a result we basically have a good order book going forward.

More importantly and equally importantly I would say that that wins at tier operators in India for GPON products gives us a good runway for future revenues. COVID-19 clearly has lots of challenges in the short term and the economic uncertainty is clear. It is very hard to predict stuff that is going to happen on a quarterly basis because for instance Bengaluru is in a little bit of messy situation right now but things could change and it could be Mexico, another day, or Delhi another day and so on and so forth. So those things will continue in the near term and we are definitely watching all those things and doing everything in our control to make sure things stay as normal as they can, but from a business perspective data traffic is clearly growing, business opportunity from an operator angle is clearly looking good for us because wire line and broadband infrastructure is something which is going to be invested into.

Our game plan is that really increased market share in existing customers because both in India as well as the international and all the investments which we made in sales last year where we have local presence in Africa, in South East Asia, Mexico and in US to some extent. Those investments are allowing us that at least wherever we have incumbency, we can potentially get more business. We did see some successes in Q1 on that account where we got larger orders from international but in the other aspect I also wanted to mention is that the whole geopolitical environment in terms of how, customers are looking to derisk their supply chain both in India and outside is something which is a favorable tailwind for us. Exact impact of that we will have to see how it emerges.

We are clearly seeing more opportunities coming our way in terms of engagement, in terms of applications but those things we have to get closed and transform into business. Atmanirbhar Bharat and Make in India is clearly something which the government is being very vocal and we believe that among all the Indian companies who are into deep technologies and products in telecom with the range of portfolio of products which have expanded significantly over the last four years which I articulated earlier we do have a fairly good opportunity. Also based on our existing relationships with leading SIs in the country gives us a clear edge since our partners believe that by working with us even a complex project can be executed in time, in quality and at competitive prices and all this in a crisis situation is very crucial.

I am happy to report we have Rs.272 Crores of cash, zero debt and despite some of the slippages in collection because of COVID we believe that with the inventory utilization that we have in hand, the receivable situation that we see as the year progresses we should improve our cash flow and working capital and hopefully the bank balance in our account should improve every quarter from here on. So that is really where I would pause and probably this is a good time for us to open up the floor for questions and myself or now Arnob, Gadiyar or Kumar any of us will be happy to answer any questions that you may have.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Mukul Garg from Haitong Securities. Please go ahead.

Mukul Garg: Thanks for taking my question. I missed the initial few comments but the breakout what was the business which we lost due to the lockdown and Q1 and also what portion of Q1 revenue was benefited from the carry over business from Q4 because if I recall you were supposed to execute almost Rs.100 Crores in Q4 on order book and that obviously got eased out a bit so how much of that was received and delivered in Q1?

Sanjay Nayak: From what we had originally planned there are two effects which come in to picture. Slippage of Q4 business which was supposed to happen in Q1 and new business of Q1 which was supposed to happen in Q1. The two combinations together we anticipate around Rs.45 Crores of revenues slipped out of Q1 as a combination of two. Some of the orders from Q4 by the way did not get shipped out in Q1 either because some of the critical infrastructure and all of those things which are dependent on factory acceptance tests etc., could not happen in Q1 either so around Rs.45 Crores is what was the order slippage because of those two things together.

Mukul Garg: Just to refer on this when you say that you had a few order in Q4 how much of that was executed in Q4, how much of that was executed in Q1. I am just trying to understand and if there is a delay of two quarters can we delayed for longer?

Sanjay Nayak: It is not exactly broken out that how much of Q4 orders got in here and how much of it has further slipped out to Q2 because it varies from one customer to the other. For example, there is an international customer that wanted us to ship in March, but then his country is in a lockdown situation for most of the time so he thought he is going to do it in this quarter and looks like they may be opening up and they will do that. Some customers in India in the critical infrastructure sector too had a similar situation. Some of the private customers in India are just holding back the orders which they originally thought they wanted to place earlier so I think it is a little bit of a combination. My sense is coming back to your answers and I do not think it is a two quarter slip that decongestion of the worst time because the lockdowns around the world including India in a full basis are almost over so from henceforth I think except for the last minute situation during end of the quarter we should start to see a normalization of at least the orders that we plan to do in a particular quarter and actually happening unless there is a significant lockdown either at our end or at the customer's end. So I do not think there is a two quarter delay that decongestion will start happening from Q2.

Mukul Garg: Understood and my second question was on the order book. Can you break out there was Rs.188 Crores increment this quarter how much of that was on the private side and how much is executable in FY2021? The second part of that question is you highlighted three international wins of million dollar each, this basically like from Rs.25 Crores from three customers which seems obviously the numbers are quite low so just wanted to understand want wins global customers from giving you for example $20 million single order given the capex expenditure spends happen at tier I operators is there your balance sheet or is there something else at place?

Sanjay Nayak: Two questions you had, the first question was that how much of the order book that we have in hand is executable this year. I had mentioned that out of the Rs.593 Crores of order book we have when we started the quarter around 35% of that will be for this financial year and the balance will be for next year and the year after so that is point number one. Second point your point was that why did the international customer not give us even bigger orders that what we got so I would also say that except for the US where we really did not get much traction, US and Mexico did not get much traction, but in other geographies also the customers were under a lockdown for a large part of the quarter so different geographies opened up in a very selective way so for example South Africa opened up for a short while and we got some customers from there, we got orders from Malaysia, we got orders from Middle East, so I think the orders came and continue to come. As to why we did not get a $20 million order is really that the customers we are working with, they may not be placing $20 million orders on anybody not just on us. So I think as a part of the orders that they are placing at least with the customers that we are with we seem to be getting good orders. Some customers where we got selected last year for example there was a pan-African operator where we got selected last year, some of those orders did not materialize because the orders actually from their opcos and not from the main corporate. I think there are again delays because of being a “new vendor” in that particular opco and the new vendor introduction as I mentioned earlier in any opco or any country is taking a little bit more time than normal. So I would say that as the year progresses we expect that the international orders will continue to at least come from the geographies where we are seeing good traction. US, Mexico I think will be a second half play because first half again I believe that there are too many restrictions in these countries.

Mukul Garg: Can you give us a breakup of incremental business from the private sector orders won during Q1?

Sanjay Nayak: If I were to look at Q1 new bookings around 25% came from India Private, around 40% came from India government and the balance came from international, but approximately.

Mukul Garg: Understood. Thanks and I will get back into the queue.

Moderator: Thank you. The next question is from the line of Rajendra Mishra from IDFC Mutual Fund. Please go ahead.

Rajendra Mishra: Good evening. Hope you guys are well? Basically you have highlighted couple of things one is the home broadband you are speaking about and you said that customers and OEMs have realized that the partners have realized that is a good ARPU business and you will be have some technologies like GPON and all which we have demonstrated in BharatNet and which is scalable or maybe get in traction Private so could you just build on that, just to explain a bit more how is ARPU better and so what exactly are we looking there in terms of six months, 12 months, 18 months there?

Sanjay Nayak: To answer the first question, if you see a typical mobile customer in India the ARPU is about Rs.120 to Rs.150 or Rs.200 whereas a typical home broadband connection that anybody takes, starts anywhere from Rs.599 going to Rs.999, Rs.1499 per month depending on which plan people take. People are willing to pay for higher quality home broadband which gives say 100 MBPS connection with guaranteed speed upside, downside and so on and so forth that is what was my comment that our end customers are seeing a good business case to rollout home broadband services because of the new way of doing things so that is part one. Coming back to what is the opportunity size and how will it play out for us in the six months, 12 months and 18 months. I think the way to look out it is the following way. In India at this point and time depending on whom you talk to there could be anywhere between 2 million to 3 million home broadband which have been powered on a high capacity fiber optic correction on a GPON or stuff like that. Jio for example talked about a million home broadband subscribes on Jio Fiber, Bharti may have similar. The addressable market which people are targeting is in the next couple of years is anywhere between 50 million and 100 million homes so I think there should be a significant jump in terms of the home broadband customers. This will be dependent on how fast people are able to roll things out and as you know which is why I mentioned earlier that any of the housing society that people live and neighborhoods people live there are restrictions for people to come in and wire up new connections and stuff like that so they could be operationally and logistically slow rollout in the near term which should pickup as you know the restrictions and all that reduced so I would say if you take a three-year window we are talking of let us say starting from 5 million rolling it out to say 100 million home broadband subscribers over a three-year period and that is what would be the opportunity size. Clearly there are three kinds of players in that market. One is Nokia which is a global leader in fiber to the home or GPON equipment so they are incumbent in some of the large operators in the country. Now we have also got an opportunity to play into that and there are Chinese vendors also who have a competitive portfolio but some of that market share dynamics may possibly change going forward. So that is the way to think about the size of the opportunity and how it will play out.

Rajendra Mishra: Just correlated with that, so 4 million, 5 million it should goes to 50 million to 100 million less than three years of four years what will be the opportunity size products, very rough cut?

Sanjay Nayak: For a 100 million to wire up 100 million subscribers let us say you would probably need close to about $2 billion worth of active electronics to be bought if you were to put the numbers or anywhere between $1.5 billion to $2 billion depending on how you look at it, that much amount of equipment will be needed to wire up all the 100 million subscribers in the country.

Rajendra Mishra: Second question is just a technical thing which I need to understand so 5G we all have been talking a lot for quite some time now maybe it is coming in six months, 12 months I do not know but now we are clearly seeing the world getting polarized into two buckets because of geopolitical issues. So just help me understand if the 5G technology in one which is China driven world of is it a different standard and US will be different standard and whether we are flexible to supply to both and whether once the world polarizes will it be an opportunity for us or it will how it will to impact us, or the standard is still evolving or whether we will be aligned to growth or aligned to one, how is it going to impact the dynamics of this industry that we are operating in?

Sanjay Nayak: I think this is an excellent question. Let me tell you how will 5G impact us and what happens in the new geopolitical situation. So first and foremost there is only one 5G standard in the world, which is uniform for everybody else. It is set up by Independent Standards Body and by the way I mean India also you would have read in the papers in the last few weeks that India had contributed to one such very important 5G standard and I am very happy to say that our CTO, Dr. Kumar Sivarajan, who was the chairman of the telecom standards body of India, along with other members of our technology office initiated a lot of this work during his tenure as Chairman. So there are three elements of a 5G that we need to think of. One is the transmission so 5G still does not obviate the need for a very high capacity optical transmission so the technologies that will go into servicing a 5G infrastructure are what we are already doing so if we look at the product chart that I talked about some variant of GPON technology, some variant of packet transport technology and some variant of OTN technology these are all technologies that we are already shipping products will be used for backhauling 5G traffic. Essentially 5G will have a densification of network which means if you have 100-base stations today to cover a certain locality you will probably need 1000-base stations in the same locality of 5G to cover everything and every one of those 1000-base stations will need some kind of a device to bring the traffic back. And those are the devices that we do in terms of stuff that goes on optical fibers so that is one part that we are positively able to service. The second aspect of 5G is the radio part which is the wireless part often referred to as base stations. So as I mentioned earlier over the last 5-6 years we have invested in building our own 4G base stations with software and certain kind of feature set upgradability can be made 5G compliant. So the 4G base station that we have can be upgraded to 5G. So that is another play which we can potentially have. In 5G for wireless there are two different segments of the market. One segment is called the fixed wireless access or FWA. So our current product is already compliant to the FWA market segment and then the second aspect of 5G of course is enhanced mobile broadband and we can upgrade the software features to address that. So we will be able to address all the optical backhaul part of 5G today with the products we have and with the wireless product that we have with upgradation, the same can be upgraded to 5G. So any which way the geopolitical situation evolves in the world, the optical transmission part of the 5G network will be fully insulated and the wireless part is an opportunity which may open up depending on how serious the Government of India is for example in building their own equipment and how well Indian ecosystem can potentially step up and build all this stuff.

Rajendra Mishra: Thanks. Very useful insights. Thanks Sanjay.

Moderator: Thank you. The next question is from the line of Kunal Patel from Equilligence Capital Advisors. Please go ahead.

Kunal Patel: Thank you for the opportunity. Sir first question regarding on Atmanirbhar Bharat again, so we have been talking about it for few years now and nothing has moved directionally that we wanted to, so did we have any representation from our side to the government since the announcement or are Indian customers showing any interest to the higher wallet share to local share, it would be great to if you can throw some highlights on that?

Sanjay Nayak: Good question. There are two parts one is that have we represented? Of course, I think we are a part of all the voice of industry in terms of whether it is export promotion council team, to be precise to being the Chairman of TEPC in the past, Kumar was the Chairman of India’s telecom standards body and I am currently also the chairman of FICCI R&D council that is we have shared lots of inputs with the government. Government has done two things in that the most recent one was last week, actually last weekend or last two, three days back where they have come out with a new guidelines where any equipment from countries with whom India shares border cannot be bid in any government tender whether central government, state government or even municipality or any government money so what that basically means is that this has been done by altering what is called the GFR guidelines or the procurement guidelines of the Government of India. So that is one concrete thing which the government has released late last week. How is that going to play out we still have to see but that would basically mean that government procurement would potentially favor domestic products and domestic companies so that is point one. Second point which you mention is that have private operators in India started to look at more Indian equipment? The answer is yes but that comes more from a point of view of diversifying away their supply chain risks. Currently because of the ongoing trade war between two major countries, there is a lot of uncertainty whether a particular equipment supplier would even be able to continue to manufacture its equipment, since their chips and even the chip-making machines are from US and will not be made available to them. Just from a pure supply chain diversity we are seeing more engagement with many of our private customers in areas where we have strengths and they have requirements. How exactly this will pan out is not clear. As you rightly said in the past also there was a conversation about Atmanirbhar Bharat and Preference to Make in India. Will this happen for good this time, we will have to actually wait and watch.

Kunal Patel: Sir second question is regarding again both the telecom operators are in status quo mode again Bharti has already projected, currently if I am wrong but a bigger chunk of Jio business has also gone to our US competitors so where are we lacking in our intensity also if you can just throw some color on Indian Private business where the growth will come say over next two or three some months?

Sanjay Nayak: The good news is as a "startup company" which is always growing which is what we are, we can confidently say today that our GPON products are as good as anybody's in the world. We can compete against the best in class and we have started again with a very humble beginning with supplies for BharatNet which we successfully rolled out but the same technology over the last 24 months we have matured and made it state of the art. In fact as I said not only GPON, we are now also supporting next generation PON which is not even being rolled out in India or even in the US in any significant way. So technology-wise I think we are almost up there with the best and in fact with the economies of scale that we got out of BharatNet even cost-wise we are very competitive. So we do have reasons to believe that as more operators in India and around the world start rolling out GPON networks in large numbers we should hopefully get a decent shot at that business. The first step of that is of course being selected and being integrated in their operational systems and so on and after that it would basically depend on our performance in terms of quality, in terms of what the other things which make a vendor win so I do not see that there is nothing that we are lacking at this stage. It is just that we now have the products, which is as good as anybody else's and we are as competitive with anybody else because none of the operators in India or tenders will allow you to win if you are not already that.

Kunal Patel: Thank you.

Moderator: Thank you. The next question is from the line of Vikrant Kashyap from Kedia Securities. Please go ahead.

Vikrant Kashyap: Good evening Sanjay. I have couple of questions. First I need a breakup of receivables and are we still facing challenges in recovering money from our customers, I am not talking about BSNL, BBNL because you have mentioned in earlier comments but due to COVID situation are we still facing to receive money from our other private players in India or international clients.

Sanjay Nayak: First question Venkatesh will give the breakup of the receivables I do not have in front of me in terms of India and international but barring BSNL as one of customer in India where we had challenges. Again I want to just reiterate that our money from BSNL for the BharatNet project is different from the capex of BSNL and we also can confidently say that if we have not received money none of the other vendors too have received money for that project. And as BSNL gets their sovereign guarantee backed up by the Government of India which they announced a few weeks back we hope as Venkatesh said earlier what we should collect that money. So BNSL is a challenge area for us and we have been collecting in bits and pieces but we expect that now the big chunk should happen once they get a sovereign guarantee. As far as other customers are concerned either in India, India Private we do not have any challenges. We do not have exposure to any operator whose balance sheets are stressed so in that sense we are insulated from that. For smaller operators in India we have very strong mechanisms of payment either in the form of advance, LCs or whatever else, For other government customers we are now working largely with system integrators with whom we have fixed payment terms so we are again insulated from the vagaries of government guys not paying them for projects. As far as international is concerned most of the customers we are receiving payments on time, only for a few customers we are seeing delays. We are not seeing big delays but for example some of the things which were supposed to say come by end of June may come in say middle of July or end of July or may be listed out by a few weeks here and there so we do see few slippages in partly because of the customer own challenges in terms of the banking systems or things not working in full steam. So I would say a little bit of delay we have seen in certain customer payments internationally but materially if you see even the receivables that we got and that too without anything significant coming from BSNL we collected a decent amount. If I look at our Q2 receivables we are very confident that by the end of we should see higher amount of cash in the banks or receivables will come down and of course the working capital correspondingly will also come down. So I would say except some amount of delay of a few weeks here and there we have not seen any material delays from our customers anywhere and definitely no delinquencies so we have not seen a single customer who said I cannot pay or I am stressed because all customers of ours are almost actually in an investment mode for their part of the business which is providing high capacity broadband services to their customers.

Vikrant Kashyap: I will take the breakup of outstanding order receivables but my second question is our order book so how much of this order book will be executable in FY2021, the current year?

Sanjay Nayak: I think as I said earlier around 35% of our order book would be executed for FY2021 so that is around 210 odd Crores we should execute from here till the end of the year from the order book that we have in hand. That is based on our current estimates. Some of these are things which of course depend on the customers' requirements to be a little bit more or little bit less but around Rs.210 Crores is what we think we will execute out of the order book for this year in addition to what we have already done by the way.

Vikrant Kashyap: The breakup of receivables?

Venkatesh Gadiyar: I will answer that question. I am Venkatesh here in terms of the receivable breakup about 25% of the receivables are outstanding or from international and rest of them are India.

Vikrant Kashyap: So 75% was largely into India Private and if you can give up with the breakup.

Venkatesh Gadiyar: If you take out may be BSNL/BBNL, which was approximately 40% of our receivables, then rest of them are from Critical Infrastructure and India Private. Some of the receivables are not due and some of them will be paid up after one year warranty period. So for example we have got 90% for example done, the 10% retention money will come one year after so it may not be due. So I would say the major overdue payment in India is really BSNL and international is around 25% of the total.

Vikrant Kashyap: Thank you and wish you best of luck.

Moderator: Thank you. Ladies and gentlemen, due to time constraints we will be take the next question as a last question from the line of Sangameswar Iyer from Consilium Investments. Please go ahead.

Sangameswar Iyer: Thanks for taking my question. Just wanted to understand given that the demand scenario across all geographies for us looks pretty robust, what would lead to the order ticket sizes moving towards beyond the $10 million mark. Do we have to hunt for new customers in the international market or even in the domestic markets separately to get to that kind of a run rate, I talking about India Private and international here? Second given the kind of a demand scenario that we are looking when do expect the quarterly run rate on the revenue execution basis to go back to that Rs.150 Crores to Rs.200 Crores run rate per quarter do you see that coming in next couple of quarter's times could you give some quantitative idea to understand the execution part of the demand scenario and how it gets reflected in numbers?

Sanjay Nayak: Let me answer your first question first. What does it take for us to get $10 million kind of run rate orders from multiple customers both in India and internationally? I think we have probably done everything that we could in India because in India we do have, because of the incumbency relationship, etc., etc., So I think as we are getting newer applications in our existing customers, we should once the order flow starts to happen, which I said could take another quarter or so, we should start to see a good run rate of orders getting established in India, not just because of the GPON application that I talked about in addition to actually all the major Indian customers in the private sector there are multiple other engagements and wins that we are lined up for. I think in India private hopefully sooner than later we should get into a situation where we should establish robust run rate numbers with each of our large Indian private customers. So that part, I think in terms of application win, provenness of our capabilities, competitiveness, I think those are good achievements that we made in Q1. The results of those achievements will probably get shifted by a quarter and we should start to see revenues in the second half of the year. Coming back to the same scenario internationally, we will see this year that at least a few. So first of all, let me talk of the negative part first, winning new customers of large size internationally this year is going to be very challenging because travel restrictions are there, customers are not introducing too many new vendors, etc. So to that place, for the places where we already are there, so for example, in Africa, in South East Asia and certain customers in North America, including Mexico, we should see a larger ticket size order starting to flow in. We already had some in Q1. Some have already happened in Q2 as we started the quarter. It is really now starting to become a good run rate I would say as we go along. However, I must again caution saying that we do have a little bit of start stop because sometimes thing starts to look good and then customer gets into a bit of a pause mode because of the local situation. So barring those near-term things if I were to visualize the whole year's situation for larger orders from existing customers internationally at least we will see few geographies where we have good incumbency show better numbers this year. How much better? I think we would like to wait. Coming back to your second question of when will we get to Rs.150 Crores to Rs. 200 Crores kind of run rate by quarter? Hopefully sooner than later I would not give a specific guidance because again lot of things are not necessarily in our control, and as much as we want to, the only caution which we are applying right now is that rather than building inventory for very large revenues we are taking a very conservative approach to say that let us not block our money in inventory, so whatever inventory we already have, which is quite substantial we want to decongest that and as we see more clarity in orders and as we see more things happening the way we expect we will essentially ramp up with that. By the way as an industry, the component lead times have increased so there are delays in terms of securing certain long lead components. Those kinds of things we are doing, but again coming back to your answer, it is a little bit difficult to say how soon we will get there, but hopefully sooner than later.

Sangameswar Iyer: Just as a followup on the same question, when we say that, on the international customer's end, do they have the potential to give out orders on an average ticket size of $10 million plus or these customers who typically have an order ticket size of few million dollars only.

Sanjay Nayak: That is a good question. I would say the customers where we are actively engaged, we are talking of customers who are single digit million dollar for us at least. I am not talking about the total spend. For us, we are talking of anywhere between a low single digit to may be a high single digit in millions of dollars in terms of order size. So that is the kind of range that at best, we will get from international customers that we currently have engagements with in this financial year. It could change next year because as we move from smaller part of the network to larger part of the network, but I would say this year internationally from the customers that we have we think we will still be in a single million digit scenario as of now. I mean of course we are continuing to see the situation, but that is a way to think of. We are not still on a situation internationally where we get that $10 million, $25 million order from a single customer. That stage we have not yet reached internationally.

Sangameswar Iyer: Sir I just missed, have you given the outlook each segment wise in terms of what kind of growth that you are looking at for the year?

Sanjay Nayak: No. We have not. What I did in my commentary earlier and which is in line with what we have said in April board meeting that we will not really, given all the uncertainties, give a guidance per se right now. By the way subjectively I have talked about it earlier, but just to quickly re-summarize. We would see increase in terms of a growth on Indian government just because you had one order and there is a lot of stuff which is happening, which did not happen last year, so that should happen. India Private could be flat to growth depending on when things happen and international we expect to see growth compared to last year, how much growth is of course a function of how things pan out but that is the broad way I would say where we see things today.

Sangameswar Iyer: India government when you say it is BSNL and critical put together?

Sanjay Nayak: As a total bucket, so critical infrastructure is already doing quite well in terms of orders in hand, orders won, and the whole thing. BSNL, BBNL is really a function of when they do will not counting much revenues from them except for the state BharatNet which we already won, but barring those, we do not count much from them this year, but the critical infrastructure alone can give us significant growth on an annualized basis because we have already won those orders.

Sangameswar Iyer: International was pretty strong last year as an out setting factor for your BSNL loss, what kind of growth are we talking here, is it like double-digit growth here or is it like, given that, the scenario has become more favorable from out?

Sanjay Nayak: Yes I would say definitely double-digit is a very long range so we should definitely able to do that double-digit growth, which spectrum of the double-digit, I would again qualify that it is a bit early to say except that the signs seem to be positive. If I want to kind of step back, and say that lot of things have aligned for us so we seem to have a very good product portfolio, the whole geopolitical situation looks good internationally as well as in India, we seem to be getting into the bigger scheme of things in a segment where people are going to invest both India and outside which is home broadband, metro broadband, etc. So lot of the stars are kind of getting nicely aligned for us, but exactly how they will play out, how soon they will play out, is something which we are just being a little bit cautious because it is not very good to predict in an environment that we all live today where there is uncertainty all around but given where we are, what we could do, we are doing and I am confident that at least the efforts are being put by the company to do everything that we can in our control to really increase our application wins which are doing, but the actual revenue results of that will have to see how the year progresses.

Sangameswar Iyer: Great. Good to hear that. We have the confidence of double-digit growth at least in the two leading segments that they have both in India Private and international despite all this situation that we have globally.

Sanjay Nayak: Yes.

Sangameswar Iyer: Thank you Sir and stay safe.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments.

Sanjay Nayak: Thank you everybody. First of all very good questions so I hope even the people who did not get a chance to ask the questions, we were able to address if I had to be little bit broader on those and as I said in my comments a few minutes back, we are doing everything that we can to really make sure that we are well setup to take advantage of the opportunities as and when they are opening up with the new customer wins with a very strong cash position which at least we are confident of we will continue to improve, we seem to have set things up well. Exactly how that will play out, how soon that will play out, we will basically be closely watching and will continue to communicate with all of you as we make more and more progress. Thank you again for all your support and again as I said this is the 20th anniversary of the company, we hope that this would be a year where we could actually put all the things together and actually demonstrate a good success. Thank you.

Moderator: Thank you very much. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.