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July 29, 2024

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,
Mumbai – 400 001
BSE Scrip Code: 540595

Dear Sir/Madam,

Re: Q1 FY25 Earnings Conference Call – Transcript

Please find enclosed the transcripts of the Q1 FY25 Earnings Conference Call held on July 19, 2024.

Kindly take the above information on record and acknowledge.

Yours sincerely
For Tejas Networks Limited

RANGACHARI RAVIKRISHNAN
Digitally signed by RANGACHARI RAVIKRISHNAN
Date: 2024.07.29 17:39:45 +05'30'

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

“Tejas Networks Limited

Q1 FY ’25 Earnings Conference Call”

July 19, 2024

MANAGEMENT: **MR. ANAND ATHREYA – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – TEJAS NETWORKS LIMITED**
MR. ARNOB ROY – CHIEF OPERATING OFFICER AND WHOLE-TIME DIRECTOR – TEJAS NETWORKS LIMITED
MR. SUMIT DHINGRA – CHIEF FINANCIAL OFFICER - TEJAS NETWORKS LIMITED
DR. KUMAR SIVARAJAN – CHIEF TECHNOLOGY OFFICER - TEJAS NETWORKS LIMITED

MODERATOR: **MR. ASHVIK JAIN – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to Tejas Networks Limited Q1 FY '25 Earnings Conference Call, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

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

Ashvik: Thank you. Good evening, everyone. Thank you for joining the Tejas Networks Limited Q1 FY '25 Results Conference Call.

We have Tejas Network Management on call represented by Mr. Anand Athreya, Chief Executive Officer and Managing Director; Mr. Arnob Roy, Chief Operating Officer and Whole-time Director, Mr. Sumit Dhingra, Chief Financial Officer; Dr. Kumar N. Sivarajan, Chief Technology Officer. I would like to invite Mr. Anand sir to initiate with opening remarks followed by a quarterly update, post which we will have a Q&A session. Over to you, sir.

Anand Athreya: Good evening. Thanks for attending the Q1 FY '25 Tejas Networks earnings call. I have my colleagues here, Arnob Roy, CEO and Executive Director; Dr. Kumar Sivarajan, CTO; and Sumit Dhingra, who is our CFO, with me in the room. I want to give you some key updates for Q1 FY '25. I'm happy to inform you that this has been the best quarter ever for Tejas. Our Q1 FY '25 net revenue was INR 1,563 crores, which was an 8.3x year-over-year. And the profit after tax in Q1 FY '25 was INR 77 crores. We ended Q1 with an order book of INR 7,091 crores. Let me talk briefly about our business.

We are primarily two segments, wireless and wireline. On the wireless business, our 4G/5G RAN installations for the BSNL's Pan India network is progressing well. We have cumulatively so far shipped approximately 27,000 sites as of end of Q1.

And we also have significantly scaled up our manufacturing capacity of the RAN equipment. We have also, in addition to the Band 1, Band 28, and dual-band radios, we have also made production releases of additional 4G radios, which are mostly, you know, kind of globally used bands also, which is Band 3, which is 800 megahertz, Band 5, 850 megahertz, and Band 41, which is 2,500 megahertz. And we are also engaging with several wireless providers for proof-of-concept, who could become our potential customers, both in private and utility verticals.

Now, I'll go on to the wireline business. As we talked about engaging with international customers, so I'm happy to inform you that we won a strategic deal with a Tier 2 operator in the U.S. for their network modernization project. and another telecom operator in Southeast Asia for a broadband rollout. We're also seeing repeat orders of our GPON, DWDM, and packet equipment from our existing customers in India, Southeast Asia, and also in Africa.

And as you know, we also have won one of the largest deployments of IP/MPLS routers in India, called the BSNL-MAAN project, and we made good progress on the installation and commissioning. You know, we delivered a lot of equipment last quarter, and the installation

commissioning is happening as we speak. One corporate update I want to give you is the merger of Saankhya Labs with Tejas.

It's in an advanced stage, and NCLT has reserved the matter for orders. So now I think it's a matter of time when these things come together. Now I'll hand it over to my colleague Sumit Dhingra to talk about the financials. Thank you.

Sumit Dhingra: Thank you, Anand. Good evening, everyone. For Q1 financial year '25, we had our total revenue from operations of INR 1,563 crores. This constituted revenue from sales and service of about INR 1,496 crores. This is a 8x revenue growth over the previous year, and 28% growth over the last quarter. Other operating revenue, which consists primarily of PLI incentive was INR 67 crores for the quarter as compared to INR 156 crores in the previous quarter.

I would like to clarify that previous quarter included PLI receipt for FY '23 and for the full year FY '24. Compared to that, Q1 recognition of revenue for PLI includes only the Q1 '25 component. On an aggregate basis, the revenue grew at 18% growth over the previous quarter.

Our EBIT for the quarter was INR 167 crores as compared to negative INR 80 crores for the previous year and INR 258 crores in the quarter before that. However, as I mentioned, this also had the impact of other operating income in the two quarters. So if I take that out, previous quarter EBIT was INR101 crores and compared to that we are at INR100 crores for this quarter.

PBT for the quarter is INR122 crores compared to INR233 crores for the quarter before that, and negative INR66 crores for the quarter one of the previous year. Profit after tax for the quarter is INR77 crores. This is compared to negative INR 26 crores on previous year's Q1 and INR147 crores for Q4.

Our full year profit after tax for the last year was INR63 crores compared to that in the current quarter itself we have INR77 crores of PAT. We can move to the next slide, which talks about key financial indicators. Inventory increased from INR3,738 crores to INR3,853 crores in the quarter.

This increase is predominantly due to ramp up of wireless shipments and this will get converted over the next months into finished goods and get shipped. Trade receivables grew from INR1,458 crores to INR2,052 crores. This again is increased due to higher shipments in Q1 but we made progress in terms of collections as well and we collected about INR1,170 crores during the quarter.

Payables have come down from INR1,839 crores to INR1,376 crores but at the same time the borrowings have gone up from INR1,744 to INR2,844 crores, which implies a net debt of about INR2,200 crores at the end of the quarter. Our cash position stands at INR612 crores. With this, I will hand it over to Arnob to take care of the next slide.

Arnob Roy: So in the next few minutes, I would like to give you a color of the business that we have done in Q1 and also the outlook for our business going forward. So as far as Q1 is concerned, the revenue mix of our business is reported in the three sectors, India Government, India Private and International. India Government was about 7% of our overall revenue for the quarter and saw a significant growth, a healthy growth of two and a half times year-over-year.

And this growth was led mainly by the network buildouts in the utility segment. The India private consisted 90% of our business and as you know we categorized the BSNL 4G shipment since it goes to TCS. We categorized that to India private and had a very strong growth of over 14x of Q1 of FY '24 and mainly dominated by the BSNL 4G shipments.

International business was largely flat with a slight decline and it was 3% of our overall revenue for the quarter. And as we mentioned earlier, this is the area that we have our significant focus on and we are increasing our sales and marketing presence in international territories and we are into a lot of engagements in the international territories as well and I will talk about that a little bit. So in this quarter, we had, for international shipments, our key shipments happened to customers in Africa and in South Asia.

So we closed that quarter with a backlog of INR7,091 crores. It is much lower than the backlog that we closed in Q4 and largely because a lot of the wireless shipments happened as we expanded or increased our wireless shipments in the quarters. That's part of the reason we saw the backlog went down.

And as part of the backlog, India still has a significant amount of INR6,831 crores to dominate partly our BSNL 4G backlog. And the international logs are INR260 crores. So going forward, some of the key opportunities being targeted and this is beyond, of course, our regular run rate business with our existing customers, who keep-on-buying on multi-year contracts. The key large opportunities we targeted is, one is the expansion of BSNL 4G network. We know that they have to build out for saturation sites, as they call it, and it's called the backhaul network, which is an extension of the MAAN network.

And then BharatNet Phase 3, which has the tenders, which has come to an advanced stage and I think the bidding, the tender timelines got a bit pushed out, but this is also some of the big opportunities that we're targeting. And then the Kavach project of Indian Railways for the collision avoidance systems based on where our 4G technologies are a key part of the communication infrastructure. We have done successful POC over here and we are waiting for the tender process to get through.

Then expansion of the network backbone in the utility segment. In this segment, we're seeing a strong demand in this segment, both for their captive network requirements as well as their telco business, their wholesale bandwidth business. And we see a lot of opportunities during the year where they will scale up their Backbone network several times based on our optical transmission technologies.

We also, internationally, we are also engaged in several broadband opportunities with Tier 1, multiple Tier 1 opportunities in the Middle East. We are in a good position in the network, but it will take some time to close, but we're in an advanced stage in trials and other commercial engagements as well. And then in South Asia, we are also engaged in a wireless and a metro aggregation opportunity with a Tier 1 operator.

And in both of these include our 4G/5G equipment, our packet transport equipment, as well as our Metro WDM equipment. So this is also one of the large things that we're working on where we in

advanced stage. And we're looking forward to winning a significant part of these deals to be able to create our business backlog for the future.

I will next go on to giving you some color of our business outlook that we see over the next few years. And as you all know, the network traffic worldwide continues to grow rapidly. And right now, we're on the cusp of a significant growth, driven by newer generation applications like Generative AI.

It's one of the key drivers, one of the key applications driving the building of AI data centers and their interconnectivity, and that's generating a huge amount of traffic. Also applications like virtual reality and spatial computing, which is processing high amount of 3D data and doing a huge amount of computing as well as exchanging data with servers located in remote locations. Then multi-player gaming is consuming a high amount of bandwidth because we're working with high definition video, high definition graphics, and that's also causing a huge amount of network growth.

And then the growth of streaming video that we are all familiar with. So all of this growth in the technology and the network traffic is driven by enablers of advanced communication technologies, the kind of stuff that we built, whether it's 4G/5G mobile broadband, multi-gigabit fiber broadband and transmission technology, and then it's computing devices at the edge of the network. So all of these is driving fresh investments in fixed and mobile networks worldwide.

So some of the things that are happening are the transformation in enterprises and clouds, AI data centers and their connectivity, high bandwidth connectivity. We see a long runway of deployment of 4G and 5G globally. 4G is primarily in a lot of the developing countries where deployment is at an initial stage, and 5G in many of the developed economies.

And then massive investments in broadband connectivity that's happening the world over, including developed economies like Europe and the US, where there are massive investment programs going on. There's a modernization of utility networks, which is demanding the transition from the old TDM to IP networks, and that has been happening for a few years, and we're seeing an acceleration of the adoption of this transformation. A digitalization of cities and economies, building out of smart and safe cities across the world.

So these are some of the many phenomena that's happening, and the outlook for business over the next few years still looks strong. All of this is driving our development of key technologies for wireless RAN and cross-haul, or multi-terabit packet and optical transmission technologies, and high-speed broadband access using GPON and XGS-PON, and associated technologies. So in summary, the business outlook looks strong.

There are many new generation applications which are driving our business going forward, and so I think that is what is also driving our investment in technology, in R&D, and in catering to the requirements driven by this evolution. So with this, I will pause over here and we'll open the floor for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Rishabh Gang from Sacheti Family Office. Please go ahead.

Rishabh Gang: Yeah, set of numbers. Wanted to understand what is the total universe of sites which are eligible for 4G, 5G RAN? I understand for BSNL, we have done 100,000 sites as of now. So what is the universe for BSNL? Above that, how much percentage is eligible for a 5G RAN? Like, what is your best estimate?

How much sites will go to 5G upgrade? And what is the kind of cost which will be incurred? Let's say 100 rupees, it costed for 4G RAN equipment. So how much would it cost for the 5G upgrade? And regarding the 4G, 5G RAN, for the private telcos, like Jio and Airtel have done a good amount of capex some years ago. So when do you think the replacement cycle will come from the private telco site? Yes, sir.

Arnob Roy: Yeah, so as far as BSNL is concerned, we are seeing that a lot more investment needs to be done in 4G. And I talked about a good network expansion in terms of the saturation sites that are going to come up in BSNL. There's all the remote sites across the country. So the 4G expansion is a key part of our upcoming wireless business. As far as 5G is concerned, there are two parts to it. One part is the 5G upgrade in the existing 4G bands which is part of the existing tender that we are executing right now. So that's going to happen. And that's the business that is part of the tender but is going to be executed later on. Apart from that, BSNL is also going to come up with a nationwide tender for 5G in the performance back in the high speed 3.5 GHz bands. So that is still in the works. There will be a process of POC of equipment and it will likely be a nationwide build out, depending on the scale at which they deploy 5G. And it is certainly going to be on the scale of what the private operators have done.

Rishabh Gang: Can you draw some comparison between the 4G spends per site and 5G spends per site? Like I want to have some numbers or some percentage?

Arnob Roy: Yeah, so absolute numbers are difficult to give. But if you see the kind of spend that has happened in 4G, and if you take another 20-30% more spend that's going to happen in 4G, then 5G is going to be not of that scale. It is going to be smaller because a lot of the initial 5G deployment happens in urban areas.

So it's going to be in a smaller percentage of that. And then when 5G adoption happens, and 5G monetization happens, then like the rest of the operators, I think a lot of increase in 5G deployment will also happen across the length and breadth of the country. It's going to happen in phases.

Rishabh Gang: So how much does an upgrade cost? Let's say 100 rupees is the 4G cost. So how much is an upgrade for 4G to 5G?

Arnob Roy: So as I said, there are two parts. Upgrades of 4G to 5G in the existing 4G bands, that's a fraction. I mean, that's a smaller fraction because it comes with a small amount of hardware and software upgrades.

But 5G deployment in the newer bands, in the performance bands, that spend is as much as that and if not more than that of 4G bands. Because especially if it's deploying elements like massive MIMO with 8T8R, 32T32R and advanced technology which is very high performance radio capabilities, those costs are obviously higher. But on the average, you can look at -- so the 4G site

plus kind of thing as a per unit site cost.

Rishabh Gang: Got it. On to private telco site, can you give some idea on when did the 4G, 5G capex actually started for players like Jio and Airtel? And when do you think the replacement cycle will come? And some idea on how much sites can come? Yes.

Arnob Roy: I mean, so 4G, we already know the 5G deployment that these operators have done. And you know, and right now, we see the first phase of deployment that has happened. And going forward as 5G usage goes up and 5G monetization goes up, I mean, we expect to see a lot more deployment to happen because this network is still small compared to the overall 4G network.

And 4G is still the backbone of the mobile data network of the operators. But as 5G becomes more and more popular, more cost effective and more newer applications come in, I think 5G network will go up as well and kind of cover the entire country and maybe over time replace the 4G network.

Rishabh Gang: What is the useful life of such equipment?

Arnob Roy: Well, useful, I think you can look at how, you know, the 2G network has been deployed and living and then how 3G got deployed. So it depends on the success of a particular technology. A particular technology can keep it alive for seven, eight, nine years, you know, if the technology is successful. If the transition happens sooner, then it can happen in five years, I mean, you have to just look at how things evolved in India to get an idea of that.

Rishabh Gang: Got it. Very interesting. Sir we compete with players like Nokia, Cisco and Ericsson, right? So I wanted to ask, how much cost advantage do we actually have against these players? And how much of the cost advantage is taken away when these players have an Indian R&D and manufacturing setup? Because I believe all of these three players have R&D and manufacturing setup in India. So do we really have a cost advantage there?

Arnob Roy: Rishabh, I really suggest in the interest of time, we should give an opportunity to other people for asking their questions. I'm sure your questions will be covered during the call. I'm sure people will have similar questions. And if not, I'll come back and answer at the end of conference.

Rishabh Gang: Okay. Thank you so much, sir.

Arnob Roy: Thanks, Rishabh.

Moderator: Thank you. Next question is from the line of Ashish Shriram Thavkar from JM Mutual Fund. Please go ahead.

Ashish Thavkar: Yeah, thanks for the opportunity. Sir if you can elaborate on the data center side, do we have a role? Obviously, you in your opening commentary did mention the play.

But are these L1 and L2 switches are probably going to be some differentiation on our part? And also, potentially, by what timelines are you targeting some of these plays?

Arnob Roy: Yeah, so I think there are two parts to the question. What is our role in data centers? So our

communication equipment is applicable for the data center connectivity. We don't sell equipment inside the data center. It is mainly for the high bandwidth connectivity that is required between data centers as they exchange traffic, sometimes to build backups and those kinds of applications. So the data center interconnects is the market that we play in.

I also talked about, you also raised a question about our switches, the L2/L3 switches. So the switches that we have is mainly for building campus networks and enterprise networks. And their application is not inside data centers such as the top of rack switches. That's not where we play. Our switches are used mainly for building campus networks.

Ashish Thavkar: Okay, excellent. And Ericsson, they recently said that the telcos in the North American region have depleted all their excess inventory. And since we are now also deploying our investments to tap those markets, and obviously, we have won one of those deals. How do you see the landscape evolving, especially in the U.S. now?

Arnob Roy: No, I didn't get the point on excess inventory in the U.S. I didn't quite understand that. But in general, I think there's a lot of investment that is happening in the U.S., again, driven by the cloud, driven by AI, AI data centers and so on. I think it is for everyone to see, right, how the AI component suppliers, how that is going.

All of that is going into building AI cloud centers and more and more applications running over there. So the phenomenon that I talked about of interconnectivity, that is also there, very strong in the U.S., right? Apart from that, we're also seeing a huge investment happening in the government, what they call as the BEAD program, for rural connectivity across all of the U.S., because the U.S. is a very large country and population is well spread out. So there's a lot of investment going on in those markets for providing broadband connectivity.

So all of these provide us opportunities. The initial opportunities that we have, apart from these things, some of the interesting opportunities that we are targeting is modernizing of very old networks in the U.S. As you know, U.S. has a very advanced economy with telecom networks that have been built over a long period of time. So a lot of it is legacy networks which are getting transformed as we speak, and so we have very interesting technologies in the area which we are engaging with several customers there.

Ashish Thavkar: Yeah, fair enough. Also, lastly, the entire BSNL execution that will happen in FY '25, that's first, and second, the EBITDA margins that we reported this quarter are around 15%. Is this a sustainable number for the entire year?

Arnob Roy: I didn't get your question fully, but the first part I got, which is that, yeah, the current P.O. that we have, the current opportunity that we expect to complete in FY '25. Yeah.

Ashish Thavkar: And the EBITDA margins of 15% this quarter that we did, that's a sustainable number to assume going forward?

Arnob Roy: So we don't give any guidance on our margins and financials, but I think you can look at the trend and make your assumptions about that, but that's as such we don't give guidance on these

operations.

Ashish Thavkar: Yeah. Thank you. Thanks a lot. All the best.

Moderator: Thank you. Next question is from the line of Vimal Jamnadas Gohil from Alchemy Capital Management Pvt. Ltd. Please go ahead.

Vimal Gohil: Yes, sir. Thank you for the opportunity. I have two questions. One is on our visibility post FY '25 in terms of our GPON and DWDM, which is our cash cow, so to say, for our customers, ex of BSNL, which is India private and international customers. So what's the visibility looking like? Since we have sort of increased our manufacturing capacity, how do we sort of make sure that as and when the BSNL contract ramps down, we utilize our manufacturing capability to the most efficient possible extent?

So that's question number one. The second question is for Mr. Dhingra. Sir, on the wireless margins, how do you see the wireless margins panning out over a period of time? I do understand that you don't give out forward guidance, but as and when the BSNL contract comes into our numbers, do you expect the wireless piece to sort of come in line with company average post FY '25? Thank you so much.

Arnob Roy: Yeah, so I'll address the first two questions about GPON and DWDM outside of BSNL. Yes, I mean, most of our GPON and WDM business right now is outside of BSNL, such as the private operators, from the utilities and from our international customers.

And as I mentioned, there is a huge demand for broadband connectivity and for upgrading of backbone networks. And these are the places where our equipment is very applicable and very relevant. So as and when we win additional deals based on the increasing demand, I mean, that business looks healthy and will continue to grow.

I mean, that's what our expectation is. As far as manufacturing capacity is concerned, as we have mentioned earlier, we have an asset-like manufacturing model, right? Where in the back end, we work with large EMS vendors of scale for building our PCB assemblies. You know, there's a hardware block that go into and get assembled into our systems. So as we scale up our manufacturing capacity, in the back end, we just sign up with multiple EMS partners and they have a lot of capacity.

For us, all we have to scale up is our system assembly and test capacity in our factory in Bangalore. So as we scale up our manufacturing capacity, the largest scale up happens in the back end, which is EMS. So, you know, it's a low effort or, you know, low intensity investment for us to really scale up and scale down our manufacturing because of the model that we follow. But, you know, the reason we have also scaled it up is not only for the BSNL business, but over time, over a long term, we are bullish about how our business is going to grow both in wireless and wireline.

So a lot of the preparation and the investment that will happen is to address opportunities in the future as well. Thank you. So, wireless margin?

Sumit Dhingra: Yeah. See, as I mentioned earlier as well, this is the first wireless project that we're executing. And

as we go along, as we add more wireless orders going forward, we would expect the margins to improve. Now, there is no particular reason to suggest that the wireless margins would be very different from wireline margins in general. And as we ramp up our businesses and as we ramp up our international orders, you'll see the margins improve and potentially be at the same level for both wireless and wireline products.

Vimal Gohil: Sir how does the visibility look for international orders for our wireless products post FY '25?

Arnob Roy: Yeah. So, as I said, we are engaged deeply with many opportunities in the international market. And these take some time to convert because they go through extensive trials and commercial cycles. So we are at the initial phase of international engagement with our wireless products. And they will close over a period of time. But we do see a lot of opportunities given the huge amount of 4G build-out that is happening in a lot of the emerging markets.

And also the 4G replacement that will happen, of very old 4G gear that's going to happen in those market as well, as well as the 5G expansion in the developed markets. So, all in all, it's a good opportunity space for us.

Vimal Gohil: All right, sir. Thank you so much. I'll go back to the queue.

Moderator: Thank you. Next question is from the line of Khush Gosrani from Incred Asset Management. Please go ahead.

Khush Gosrani: Yeah. Hi, sir. Thank you for the opportunity. Sir, I wanted to understand what is -- how much we would have bid for the BharatNet phase 3? What would be our opportunity sense over here?

Arnob Roy: Could you please repeat the question? I didn't….

Khush Gosrani Sir, for BharatNet phase 3, what kind of order size opportunity is there for us?

Arnob Roy: Okay. See, the BharatNet phase 3 for us, as far as the equipment is concerned, comes with two parts. One is the GPON equipment, ONTs and OLTs. And the other part, our larger part, are the IP/MPLS routers, which are going to be used in BharatNet. So, for both of them, they are very relevant products and we are actively working with customers and our system integration partners to bid into this project. Initially, as you know, the BharatNet budget is quite a large one. Of around INR1,30,000 crores and the equipment budget is roughly 9% to 10% of that. And in the first phase, we see anywhere between INR4,000 to INR5,000 crores of equipment which is getting addressed in the initial tenders. But that is the overall landscape and we hope to win a significant part of that.

Khush Gosrani: Sure. And this would be for how many GPs? 1,67,000?

Arnob Roy: I am not sure about the number of GPs that are getting covered. I don't have the number upfront.

Khush Gosrani: Got it. And one last question, sir. What kind of debt numbers we would have to take more debt now going ahead for working capital purposes? What kind of peak debt we would have?

Sumit Dhingra: See, again, it's difficult to give guidance on future numbers, but as a trend, this increase in

borrowings is essentially for working capital purposes, which is predominantly led by the wireless project that is getting executed. Now, as mentioned earlier, this project, we're expecting to complete this year. And as shipments progress, working capital intensity would increase a little bit from here and thereafter keep coming down. So, I think within this year, you would see that the working capital would spike up and then gradually come down.

Khush Gosrani: Sure. Got it, sir. Got it. I will get back. Thank you.

Moderator: Thank you. Next question is from the line of Kaushal Kedia from Wallfort PMS. Please go ahead.

Kaushal Kedia: Yeah. Sir thank you for taking my question. My first question is what kind of an order book pipeline are we looking at on the Opportunities Fund that you mentioned that the BSNL 4G network, the BharatNet Stage 3, Kavach for Railways, expansion of utility networks. What is the kind of order book pipeline that we are looking for?

Arnob Roy: So these are not orders that we have won as of now. We have an order book of INR7,000 crores and these are some of the new opportunities, new large opportunities that we are targeting, right? So, they will give a flavour of what is the size of expansion of the BSNL 4G network or BharatNet Stage 3. I just talked about that right now.

So, similarly, I mean, there are the Indian Railways as well as, you know, broadband utility operators. These are all quite large opportunities which will enable our growth for the future and, you know, create our business pipeline as well as backlog for the future. But it is hard for me to quantify and say that this is going to be the number going forward quarter after quarter. Just wanted to give a flavour of what is coming.

Kaushal Kedia: Sure. Okay. So, one more thing, in the previous participant's question, you answered that BharatNet equipment budget is around INR4,000 to INR5,000 crores in Phase 1.

Arnob Roy: Yeah, this is actually called BharatNet Phase 3. YThe sanctioned budget is much more than that. But initially, what we are saying in this current phase, what is being tendered would be in the range of INR4,000 crores, I would say, of the equipment.

Kaushal Kedia: Okay. Okay, sir. Thank you. That's it from me. Thank you.

Arnob Roy: Thank you, Kaushal

Moderator: Thank you. Next question is from the line of Sachin Jain, an individual investor. Please go ahead.

Sachin Jain: Yeah. Excuse me. My question is, the POCs which we are doing for a lot of private and utilities, first is, are there international players we are doing this POCs? And where are on this POCs, what would trigger this success of business to get a confirmed order? And what is right to win over there? Essentially, we are fighting with Nokias or Ericsson of the world. So, can you give more qualitative color on this aspect?

Arnob Roy: Yeah. So, I guess your question was specific to wireless to 4G, 5G, right? So, the POCs which are ongoing are deployments across a few sites, right? It could range anywhere from 5 to 10 sites to

even more than that. And it goes through an extensive field trial which also includes interoperability with the software, with the core, and also interoperability with other radio equipment which is deployed out there. Because in a lot of places handovers between POC sites are tested.

So, POCs for wireless equipment is of this kind of a nature. My question is that, how do we compete with Nokia and Ericsson and ? So, there are few areas, ours is a more modern 4G equipment with support for many different bands which are deployed by operators. And then we also have a lot of efficient technologies which are built in. For example, our RAN equipment comes with integrated backhaul, integrated transport, right?

So, with technology like that, it saves a lot of capex and opex for the operator because typically RAN equipment is back-ended with a separate backhaul equipment, a router, or an equivalent equipment like that. But what we have done is we have integrated a lot of this technology into our RAN equipment, into our eNodeB. So, as a result of which, there is a significant saving to the customer for building his backhaul network, both in terms of capex, but also in terms of opex and reduces the costs of having to manage a different backhaul network.

So, apart from that, I mean, our baseband unit, which is part of the RAN, is also what we call the Ultra Converged Broadband Access equipment. So, whenever you deploy our BBU, the equipment is architected such that you could also insert hardware modules from where you could launch your broadband services for homes and enterprises. So, there is a huge amount of technology integration that we have done in our RAN equipment, and specifically in the baseband unit. So these are some of the big differentiators that we actually project and our customers also appreciate, which helps them in optimizing their network costs.

So, these are some of the areas, and of course, there are many other finer details that we can't discuss right now.

Sachin Jain: Sir how big this opportunity would be, some of these opportunities, say, in the future?

Arnob Roy: Yeah. So, obviously, it is not going to be, you know, one shot as big as a large BSNL deployment of 100,000 plus sites. I mean, if you consider potential expansion, it's going to be even more. So, these are definitely not going to be one-shot things like that. Even if it is a greenfield deployment, you know, a lot of the emerging economies are smaller countries, right? So, each of them would be in several thousands or tens of thousands of sites, but not in the scale of what you see in India.

That would be there, but on the aggregate, there would be many opportunities like that. So, that's how we see at least the international opportunities. So these are all the greenfield networks, but whenever there's an existing 4G, 5G deployment, and they're trying to upgrade it's again going to be a portion of the network, a fraction of the network that they want to upgrade, either with a different band or replacing old 4G equipment with our kind of 4G, which is also upgradable to 5G. And that's the refresh of 4G equipment that we can do. So, all of this will be portions of the network and will not be as large as one large BSNL network of 100,000 plus sites.

Sachin Jain: Opportunity for you in India, relevant opportunity sites for you, can you give some idea on that

also?

Arnob Roy: Relevant opportunity for India or in the global?

Sachin Jain: In the railway Kavach project.

Arnob Roy: In the railway Kavach, from what I know, it's likely to be around 15,000 sites, which is covering the entire railway network. You know, that's our initial estimate of what's coming in, so that's going to be tendered.

Sachin Jain: Opportunity for you, if you can highlight.

Arnob Roy: Yeah, so I think the overall scale is 15,000 and it depends on how it is tendered and whether it goes to a single party or it is divided. So we don't know all the details yet, but that's just kind of the scope of the railway opportunity.

Sachin Jain: Or you are providing entire coverage system, entire?

Arnob Roy: Didn't understand the question.

Sachin Jain: On the Indian Railway Kavach, what part of opportunity you are addressing? Is it only the connectivity part or you are providing the entire solution?

Arnob Roy: Only connectivity. Only the wireless part.

Sachin Jain: Only connectivity. Yes, understood. Sir last question is, post 2025…

Arnob Roy: Sachin, can we give opportunities to the others also. And maybe you can…

Sachin Jain: Perfect. Thanks.

Arnob Roy: Yes, thanks Sachin

Moderator: Thank you. Next question is from the line of Prabir from Ratnabali. Please go ahead.

Prabir: Thank you, sir, for providing me the opportunity. I have a couple of questions. First, so far you have received the highest order in terms of BSNL 4G, so now is it fair to assume that in the next few years, the large two orders that you are expecting are BSNL 4G to 5G and BharatNet, is number one. Related to that, are we going to see a similar kind of execution cycle that we have seen for BSNL 4G in terms of, in case of this 5G as well as BharatNet, just 12 to 15 months?

Arnob Roy: So roughly you are right, it's going to be not 12 months, it is going to be more than that, based on the size of the networks that they are going to come up with. So there are going to be tenders, and also when the tender is going to happen. But once it is decided and once the execution happens, yes, each of the opportunities is going to be between 18 to 24 months, I would say, given the scale of things that are going to happen.

Prabir: And, sir, like what we have understood, like in case of 5G, the number of base stations, am I correct

if you tell me that the 5G stations are more because the frequency is higher, wavelength is low compared to 4G, so the base station will be smaller and the number will be much bigger. So can we assume that as the numbers are bigger in the 5G, the order potential will be bigger also?

Arnob Roy: So if you look at 5G deployment, I think initial 5G deployments have been focused more towards the metros, right, towards the high usage and high paying customers. So initially, if you look at the 5G deployment that will happen on the private operators, it is smaller than the overall 4G network. Well, that's for a reason, because they wanted to focus on the customers who will be using it.

As 5G becomes more popular and becomes widespread, the network will definitely become as big as the 4G networks. And also what will happen is that as more advanced technologies, advanced radios of massive MIMO, and the performance goes up, I think the cost of those radios will also be higher as advanced technologies are coming out. So that's the way to really look at it, that over time, the initial 5G deployments are small, but they're going to go and cover a lot of the geography as we go forward and as our business matures.

And also, a lot of the high performance radios are going to come in, which is also going to drive a lot of capex for that deployment.

Prabir: Okay. So in July of this year, we have come across with the news that Chinese equipment makers like Huawei or ZTE, they're planning to make some JVs with Indian companies. So do you see more competition coming because when there will be JVs with Indian companies, so they can be considered as an Indian entity and they can bid also in Indian projects?

Arnob Roy: No, I think all the policies about JVs with Chinese companies, that is not yet clear how that's going to happen. But as far as Indian products are concerned, I think there's a very clear definition about what Indian indigenous products are, and that is not only designed and manufactured in India, but also the IPRs have to reside in India, have to be owned in India and registered in India. And there are other rules in terms of where the profits of the companies have to reside and where the company headquarters are located.

So there are well-defined rules in terms of what defines a true Indian company making indigenous technologies. So we don't see joint ventures or anything like that diluting that definition. I mean, if at all the JVs happens, they might be regarded as a facilitated business in India. But as far as true blue Make-in-India is concerned, I don't think that the current rules will enable that for technologies which may be imported or based on technology transfer from somewhere else.

Prabir: Okay. So my last two questions are, if you can help us understanding the potential of data center business, and the margin that you have reported this quarter, which is around, EBITDA margin, I am talking about, around 15%, will this be a sustainable margin going ahead? Thank you, sir.

Arnob Roy: So the data center, as I said, the growth of data centers enables our business, because even though we do not sell inside the data centers, the data center interconnectivity is what drives our business. So with the growth of data centers, with the growth of traditional data centers, as well as the AI cloud centers and so on, the interconnectivity gives us an opportunity for our communication equipment. And as far as EBITDA margins are concerned, I think Sumit clarified earlier, we don't

give a guidance of margins and profitability. And I think we have to really make our estimates on the trends that we see, right?.

Prabir: Thank you, sir.

Arnob Roy: Thanks Prabir.

Moderator: Thank you. Next question is from the line of Abhishek, an individual investor, please go ahead. Abhishek, your line is unmuted, please go ahead. As there is no response from the current questioner, we will move to the next question from the line of Puvvada Ram Koushik, who is an retail investor, please go ahead.

Puvvada Koushik: Okay. Sir may I know, when would the international orders come to the scale of Indian orders in terms of scale?

Arnob Roy: Yeah, so I think, as we mentioned that our ambition is to become a global OEM in telecom, so a lot of our new investments in sales and marketing is happening in global markets. Earlier they were in markets in Southeast Asia and Middle East and Africa, neighbouring countries.

Now we are making a lot more sustained investments in advanced economies like the US and Europe. There are a lot of opportunities and also relevance for the kind of products and technology that we have in these markets. But the sales cycles are long.

This takes a lot of patience, a lot of trials, a lot of investments and proof-of-concepts before these opportunities materialize. So this will happen over time. Over a period of time, of course, we want to see our international business to grow to be as large as our domestic business. But that's going to happen over a period of time.

And while that is happening, we do not want to take our eyes off the Indian market opportunities, which is very exciting. I mean, a lot of investments are happening, a lot of growth is happening. This is our home market.

We want to make sure that we do not miss out on any opportunities in India, while at the same time, growing our international investments. So long story short is that India is going to remain a key focus market for us as we grow our international business over time. Our ambition is to make it as big as the domestic market, but it's going to happen over a period of time.

Puvvada Koushik: Sure, sir. And also, can I know what is our company doing in order to secure the international orders when the cycle arrives? And what can we do more?

Arnob Roy: Yeah, so what we're doing is we are increasing our presence. We are increasing our sales offices, support offices, warehousing, building our teams over there, engaging with customers, setting up labs in many different geographies, setting up trials and actively participating in RFPs. So that is what is happening. And that is an integral part of engaging with international customers.

Anand Athreya: Okay, I think it's probably time. I'm ready to make some closing comments.

Arnob Roy: Thank you. We want to hand it over to Anand for his closing remarks.

Anand Athreya: Thanks, Arnob. So thank you, guys, for asking a lot of good questions. So I just want to close that, you know, while we're happy about this quarter, we are also heads-on focused on execution and delivering the rest of the orders and also to see how we can grow the business more. So the team is very focused on making it happen. And again, I want to thank you for your time and questions.

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

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