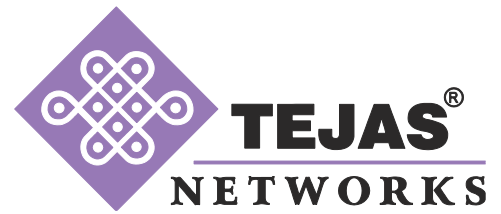


Tejas Networks Ltd.

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October 29, 2023

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: Q2 FY24 Earnings Conference Call – Transcript

Please find enclosed the transcripts of the Q2 FY24 Earnings Conference Call held on October 20, 2023.

Kindly take the above information on record.

Yours sincerely
For Tejas Networks Limited

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



“Tejas Networks Limited
Q2 FY2024 Earnings Conference Call”

October 20, 2023



ANALYST: MR. SANJESH JAIN – ICICI SECURITIES

MANAGEMENT: MR. ANAND ATHREYA - 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 Q2 FY2024 Earnings Conference call of Tejas Networks Limited 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sanjesh Jain from ICICI Securities. Thank you and over to you Sir!

Sanjesh Jain: Thanks Yashashri. Good evening everyone. Thank you for joining on Tejas Networks Limited’s Q2 FY2024 results conference call. We have Tejas Networks Management on the call represented by Mr. Anand Athreya, Chief Executive Officer & Managing Director; Mr. Arnob Roy, Chief Operating Officer & Whole Time Director; Mr. Venkatesh Gadiyar, Chief Financial Officer; Dr. Kumar N Sivarajan, Chief Technology Officer. I would like to invite Mr. Anand to initiate with opening remarks post which we will have Q&A session. Over to you Sir!

Anand Athreya: Thank you. Good evening and good day. This is Anand Athreya. This is about Q2 FY2024 results. I am happy to report that we have had the best quarter ever in Tejas history with revenue of Rs.396 Crores and with a year-over-year growth of 80% and we have had the largest backlog of Rs. 9,271 Crores and a healthy booking. Also I want to say in the last earnings call we talked about supply chain management issues I am happy to say that those things are also under control and we have also begun to ship the 4G wireless equipment to BSNL starting in Q2. Now I will hand it over to my colleague, Arnob Roy to go through a slide deck. Arnob!

Arnob Roy: Thanks Anand. So just to add some color to Anand’s introduction we had the highest ever quarterly revenue till date; however, we had a PAT loss because as we continue to invest in growing our R&D teams we also added new facilities in Bengaluru and also increased our manufacturing infrastructure significantly to address the large upcoming shipments not only in BSNL 4G Wireless but for the other business growth that we are seeing. In addition we had some expenditure in terms of expedite fees for pulling in delayed components for critical customer shipments, a combination of that led to a small PAT loss for us in the quarter. We also have the highest ever order book till date and not only the BSNL 4G wireless purchase order from TCS but also due to strong order booking for wireline products across all the product lines. For the wireless business of course one of the highlights was winning the large PO from TCS for supplying the 4G/5G RAN equipment for BSNL. We also received a mobilization advance of Rs.750 Crores from TCS for executing the order. On the wireline business side too as I said we had a strong business growth and booking growth across all product lines; however, a few highlights the first one was our recent press release about FibreConnect in Italy launching the broadband services in Italy using a complete portfolio of Tejas wireline products, this is kind of a showcase network for us which uses all of our access technologies, metro aggregation and the long-haul technologies. It is a single vendor network built solely using our products and technologies across all the applications and managed by our single network management system.

We were also selected as GPON vendor for OLTs and ONTs by two leading regional ISPs in India and thirdly another strategic win was our selection for the backbone network of a leading Media and Entertainment company in the US.

In terms of awards, we won a very prestigious global award as the “Public Company of the Year” in the 2023 Leading Lights award by Light Reading. Light Reading is a most respected industry publication based in US and we were selected in this category for our deep technology expertise, our strong balance sheet, long-term investment outlook and deep customer relationships. So this has been a very strong endorsement by a global publication and recognition of our strategy, our technology, our innovation and our long-term play in our business. Also I’m happy to note that we got 15 more patents granted this quarter which brings our patent count to 282. I now hand it over to Gadiyar to walk us through the details of our financial numbers.

Venkatesh Gadiyar:

Thank you Arnob. Good evening everyone and during the current quarter Q2 we have improved on the supply chain deliveries and done the catch up of Q1 shortfall on revenues. Currently we have scaled up and ready to handle the larger volume as we grow from this quarter onwards. As mentioned by Arnob earlier this was the highest ever quarterly revenue done till date. Q2 consolidated revenues were Rs.396 Crores and for year-on-year there is a growth of 80%. Now with the increased revenue and the contribution thereon we are slightly above the breakeven at EBITDA level during the quarter; however, our consolidated EBIT loss was at Rs.29 Crores on account of the investments that we have done in the R&D and team and additional facilities to accommodate our future growth and the increasing manufacturing infrastructure spends to address the large shipments going forward. Including the other income net of finance cost the consolidated loss before tax was 18 Crores for Q2, the consolidated loss after tax was 13 Crores for Q2. Our EPS for Q2 was Rs.-0.74 and also during Q2 our subsidiary Saankhya Labs made a profit after tax of Rs.5.19 Crores. Going to the half yearly number for the half year ended our consolidated revenues were 584 Crores and year-on-year growth of 69% and the consolidated PAT loss of 39 Crores for the half year ended.

In Q2 our net worth was Rs. 3,007 Crores. During the quarter the inventory levels have been increased to Rs. 1,401 Crores primarily on account of securing the long-lead components for expediting the delivery of the several critical large orders we expect to get this converted into the finished goods and get those shipped in the coming quarters. Despite increase in the revenues during the quarter our trade receivables for Q2 was down to 487 Crores from 501 Crores in the previous quarter and the collections during Q2 is the highest quarterly collection ever we have done it. We have collected about Rs. 452 Crores during Q2. During Q2 our net working capital was Rs.671 Crores and significantly decreased by Rs. 527 Crores during the quarter primarily on account of the mobilization advance of Rs. 750 Crores received from Tata Consultancy Services for the supply towards 4G supplies. As a result of this we had a positive cash flow from operations of Rs.532 Crores for Q2 which is again the highest ever quarterly cash flow from operations and finally with this our cash and cash equivalents position at the end of the Q2 was improved to Rs. 1,371 Crores. So in net-net as a summary during Q2 we had seen improved

performance on account of the financial performance as well as the financial position and as a strategy we will continue to focus on all these things going forward as well. With this I will hand over to Arnob once again.

Arnob Roy:

This is a little bit more color on the revenues that we shipped during the first half as compared to last year. If you see the profile of business the split between India Government, India Private and international pretty much remains the same as before and where the India Private was almost 50% of our revenues and the rest was kind of close by in terms of India Government was 29% and the international was 23% and the closing backlog was Rs. 9,271 Crores where India obviously dominated because of the wireless purchase orders received, the Rs. 9037 Crores of India and Rs. 234 Crores of International. I would like to highlight over here is that while in this quarter the wireless shipments revenue has been a relatively smaller portion of our revenues and it has been a largely wireline revenues. On wireless we shipped around 1000 sites initially and got our manufacturing engine ramped up in this quarter. For our BSNL 4G business that revenue, since our direct customer is TCS, we will be categorizing that revenue under India Private. And we historically do this because whenever we ship to private system integrators where we do not look at what their end customer is whether sometimes to the government, sometimes it is private operator, sometimes it is international. So we categorize that business as an India Private business when we sell to system integrators. So going forward as our BSNL wireless shipments go up you will actually see the India Private sector starting to dominate in this pie chart.

This is just a recap refresh of our portfolio as you see on the right hand side we have this historically a very strong wireline portfolio and we added the wireless portfolio of 4G, 5G and the satellite and also 5G broadcast as well, so our products address a pretty large market. The wireless market is growing from \$45 billion to \$50 billion over a few years and even the wireline market TAM is going to go to around \$36 billion, so as you can see as a combination we are addressing a fairly large global market and also by having this wide breadth of portfolio we are able to address many, many applications starting with 4G, 5G mobility services, to mobile backhaul applications, to wholesale services, to the utilities, to critical infrastructure enterprise services. So given the wide range of applications that we actually are able to service using a combination of our products a lot of the addressable market becomes open to us and as you have also seen we have now started winning larger applications where a lot of combinations of these products are used for building these networks. And also want to add that we are continuing to add and evolve and refresh and upgrade and innovate on all the products and technology in all of these segments because all of them are growth segments for us.

Now I come to a brief corporate update. Mr. Venkatesh Gadiyar, CFO has resigned from Tejas after more than 10 years to attend to his personal commitments and also pursue other interests and we wish to place on record that he has made invaluable contributions to the company and we are grateful to him for all the contributions to the company which has brought us this far and going forward Mr. Sumit Dhingra will take over as CFO from December 1, 2023. Sumit currently works as Assistant Vice President in the Group CFO's office at Tata Sons and he has

led multiple strategic business planning, capital deployment and investments, initiatives across the group companies. He comes with a wide variety of experience across wide varieties of companies across the group and he brings us a rich experience on finance management into the company going forward. Sumit has done his MBA from IIM-Calcutta and Bachelor of Engineering in Computer Science from Delhi Institute of Technology. So I will now hand it over to Anand for summarizing our quarterly performance and key messages.

Anand Athreya:

Thanks Arnob. First of all I would thank Mr. Gadiyar for your tremendous contributions for the last 10 years Tejas is immensely grateful to what you have done for Tejas and we wish you nothing but the best in your future endeavors and in your personal life. Thank you. Having said that I would like to welcome Mr. Sumit Dhingra as our next CFO he is going to be joining us in the coming month, so again he is also very experienced and I am pleased to welcome him to Tejas as our next CFO. Having said that the key takeaway is the business is good, we have lots of opportunities, and the backlog is good. With a healthy backlog of 9271 Crores, it will help us accelerate our revenue growth in the coming quarters. We are seeing increasing options and we also have growth across all of our product lines both in wireline and wireless and we definitely continue to make significant investments in R&D and Manufacturing operations as we scale up our business. And a lot of things are coming under control which means we have a lot of opportunity to execute consistently in the coming quarters. With this we will open up for Q&A. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. We have a first question from the line of Vimal Jamnadas Gohil from Alchemy Capital Management Private Limited. Please go ahead.

Vimal Jamnadas Gohil:

Thank you for the opportunity and heartiest congratulations on a very strong quarter. I would like to take this opportunity also to wish the best to Mr. Venkatesh Gadiyar. Thank you so much Sir. My questions firstly if you could just quantify the expediting cost that took place in this quarter for our supply and the expected credit losses of roughly 8 Crores how is this expected to pan out and what was the reason for the same that is question number one and secondly if you can just highlight what is the progress being on the international piece we have won a couple of very large orders if you just highlight the timelines of the execution that will be great? Thank you so much.

Venkatesh Gadiyar:

On the expedite fees more or less it was in line with what we saw in Q1 where we have incurred similar kind of expedite fees. And secondly coming back to the ECL it is particularly related to two particular customers wherein the payments have got delayed and we do expect to get the payments during Q3 and Q4 of this financial year. And that ECL which has come as a provision expected to get that in the next one or two quarters and it is temporary in nature. And it is not a kind of write-off, particularly the payments have been delayed hence the provision has been made.

Arnob Roy: Just to add to the question on international orders, so the international orders are typically to be fulfilled in the next quarter within 16 to 20 weeks and that is the timeline for doing that. And also wanted to mention that these are very strategic orders, when you mentioned the large international orders. Yes they are relatively large from a size point of view but not as large as the others that you are looking at. But we consider them very strategic because as we focus on growing our international business significantly going forward these deals and these applications serve as very important references for us in the market that we are targeting.

Vimal Jamnadas Gohil: Right Sir so just one clarification on the expediting cost for supply of components when do we see normalization, at what scale are our component suppliers comfortable, at what point will we be sitting at the same level as them in terms of negotiations in terms of being at having an upper hand in terms of negotiating well with our suppliers, I know as and when we scale but I just want to know what exactly is that scale, is there a number that you are looking at, at what point will these component challenges normalize or reduce to a significant extent?

Anand Athreya: Vimal there are two components to this from a supply chain side there are some components which have very long lead items till 50 weeks around and there are some components where it has come down to let us say 20 to 26 weeks. Now having said that I would expect this to be under better control in the coming quarters because we have two very large orders where we required to ship them in the next I would say 12 to 18 months and we have already begun shipments so one quarter is done. So I would say the next couple of quarters we expect this to be under control because at that point we would have planned all of the production and those things will be in place.

Arnob Roy: It is to do with the supply chain management across components with widely varying timelines and as Anand said in a couple of quarters will be in a much better shape in terms of being able to manage this variability for shipment. It is not connected to the size of the business you are delivering it is connected to managing the variability of lead times of components for our products.

Vimal Jamnadas Gohil: Understood Sir. Thank you so much and all the very best.

Moderator: Thank you. We have a next question from the line of Deep Mehta from Bank of India Mutual Fund. Please go ahead.

Deep Mehta: Thank you for the opportunity and congratulations for achieving highest ever revenue as well as highest ever order book. Sir if I have to take slightly longer term view that is three years or even five years how should the international part of our business plan both in terms of as a percentage of our revenue as well as if we can talk about that would be helpful?

Arnob Roy: Deep as you can see while currently our revenues are skewed towards India we are fully focused on growing the international business so our strategy is as follows. India is a growing market is

one of the fastest growing markets in telecom and we do not want to miss out any opportunities in this market. So while having said that we are putting a lot of investments in growing our international sales teams, in doing international business development, working with partners and so on, so our focus fully remains in making sure that our international business pipeline becomes very strong in the next few quarters. And our ambition is to make sure that this business becomes a significant portion of our overall business.

Deep Mehta: Thank you Sir that is very helpful. If I can just ask one more question what are the key geographies or key components or key technologies which we are targeting?

Arnob Roy: You asked about market and the technology so market point of view as you know up until now we have been focusing a lot on emerging markets such as Southeast Asia, Middle East, Africa and lot of the international markets we have been working with OEM partners. But now our focus is to go direct in the markets in Europe and US and a lot of investment and focus is going on those markets because those are also one of the some of the largest size telecom markets out there. In terms of the technology that we are pushing out there it is really all of what we have as you have seen there is a large growing market for all our technologies wireless and wireline and we serve a lot of pretty wide variety of applications. And all of those applications are applicable to those markets as well so we are targeting all possible applications that I talked about earlier.

Deep Mehta: Sure Sir this is very helpful. Thank you.

Moderator: Thank you. We have a next question from the line of CA Kanwaljit Singh from Balaji Finvestment. Please go ahead.

Kanwaljit Singh: Good evening and congratulations for the best topline numbers but when we will be seeing the profits and second we have completed a project in Italy are there any such projects in pipeline or we have bid for some similar contracts elsewhere?

Arnob Roy: As far as the first question is concerned as I told you the PAT loss in this quarter was connected to our forward looking investments that we have been making in anticipation of larger business growth and also execution on the business on hand. So while we do not give a guidance on the absolute future numbers as well as profitability as you can see we are in a positive trajectory and we hope to continue that going forward. So as we do more revenues and we shift more we should see a very positive direction in terms of the profitability without having to say any absolute number right now. As regarding the international business of Italy as I said this network in Italy is a very good reference and showcase network for us, we talk to customers we say that hey I am going to go and show you this network which is built using end-to-end Tejas products for access, the metro aggregation and core. So basically built out using all of our state-of-the-art technologies. So right now while there are other customers and business pipeline which are there, there are a combination of small and large and all and as I said there are multiple applications that we serve with opportunities across wholesale operators, mobile backhaul, mobility and stuff

like that, so that is where things are regarding the business internationally and specifically Europe.

Kanwaljit Singh: There is another question what will be the strategy for Saankhya Labs?

Arnob Roy: Saankhya as you know is a very strong in satellite communications and broadcast technology and of course in semiconductor design so we are going to leverage all of their skills. Their business has also been going quite well and they were independently profitable in this quarter. And they will continue to focus on the satellite communications as well as the broadcast business and we have some strategic decisions and options regarding the semiconductor design using the skill set that Saankhya has which we are finalizing and that is the part of the business we are going to focus on as well. But initial focus is developing chips for our own internal products, for our internal consumption right now. But yes, in a nutshell, they are a very key part of our business strategy going forward.

Kanwaljit Singh: Thank you very much.

Moderator: Thank you. We have a next question from the line of Agam from Raj Trading. Please go ahead.

Agam: Can you give the gross margin for this quarter versus the previous quarter?

Arnob Roy: We do not disclose the gross margin numbers but has been remaining pretty much the same across the last couple of quarters.

Agam: If you can guide to what will be the gross margin towards the execution of this order?

Arnob Roy: Which order?

Agam: BSNL order.

Arnob Roy: We do not disclose deal wise or customer wise or product wise margin. It is like a blended kind of thing and one deal in terms of having common components across deals. Each and every deal as part of our sourcing strategy helps in the margins of all other deals so we could not usually break down details about customer wise or product wise margins.

Agam: All the best.

Moderator: Thank you. We have a next question from the line of NGN Puranik from Enam Investments. Please go ahead.

NGN Puranik: Hi Arnob Congratulations you have first stage of getting the topline hurdle you have broken I think getting the operating leverage is more important now from here on. So I want to understand a couple of things how is your deep IP factory working here because you have several IPs,

several people working on it, you yourself are deeply into it how is that getting leveraged because when I see you have a 9000 Crores plus odd book over time when these IP is leveraged there is a lot of potential profits and cash flows sitting in this 9000 Crores and if you use your IP because you have a huge IP character in your business so how do you think that will pan out and also you must have done a profitability test and liquidity test on this 9000 Crores order so can you give you some sense?

Arnob Roy: So first of all thanks Puranik for your encouraging words. Yes I think this pipeline is very important for us and gives us a runway for next several many quarters. So in terms of our IPs, the IPs that we develop goes into the heart of our products into our core products and these IPs also leverage across multiple products. As you know one of the strengths of our product portfolio is the convergence of products across different applications and most of the IP that we develop in wireless and wireline go into designing these products and making them very efficient. So you are right since this IP and the optimization of IP is what leads to efficient product designs and better margins and improves our product margins. The other question was that about have you worked out the financials of this deals and something so the answer is short....

NGN Puranik: I am not asking you on a single contract I am asking you have aggregation of various contracts public sector India, government India, private sector India, private sector outside, everything so on a blended basis you must be having a lot of profits cash flow sitting here so if you can give some sense of that?

Arnob Roy: Puranik we do not give financial guidance..

NGN Puranik: No I am not asking for guidance see the potential see otherwise what happens you are such an IT company IP you may become meaningful when it is monetized so one day it has to happen so you tell me what is IP doing otherwise IP is not working at all you are having several patents it is not people are not respecting that when they are not paying for that.

Arnob Roy: I think I understand your question to monetizing of the patents correct?

NGN Puranik: Yes absolutely that has to come through your product network that you create and sell it because when you can sell cheap because you have an IP character so you can still compete well but you still need to get your supply chain this which most important to this business right?

Arnob Roy: Puranik as I mentioned the IPs that we develop and all our patents are first of all used in our products and right now we are building patents in terms of our innovative ideas and also it is like a kind of a defensive portfolio. So right now with the focus on building products and selling and building networks globally the current focus is not in terms of going into where I can license IP or can I generate patent licensing revenues. We are not really focused on that yet because our hands are full in terms of product development and shipments and customer wins and so on. So to be honest we have not yet started looking at how do I monetize the patents individually.

NGN Puranik: Individually but use them into your product so cost come down your buildup material comes down when there is IP already utilizing I am saying from that context?

Arnob Roy: Yes of course the IP that we developed it brings down our cost in multiple ways we reuse it across multiple products, brings down our product development time and since we also realize it on a similar kind of hardware we get the benefits of volumes. So yes, the IP that we have as I said our biggest leverage is in the products that we develop and the efficiency and the competitiveness that it brings right now.

NGN Puranik: What plans you have for Saankhya Labs will they be developing homegrown chipset for you, silicon for you long-term, they seem to understand DSP space also well?

Arnob Roy: Correct so as I mentioned there are three areas one part is the satellite communication products they are very innovative set of products for satellite communication and they are developing applications and bidding into very strategic deals using the satellite communication technology. The other part is 5G broadcast technology for multiple applications such as data distribution as a service, direct to mobile etc. They have an innovative portfolio through which they are addressing multiple opportunities. And the third part is their silicon design skills. So as I said for the Silicon design skills we are first of all focusing a lot on in terms of how we can apply those skill sets and the devices that they have for use in our products to get competitiveness and this connects with your IP question. So our first goal is to leverage what they have and also the design skills in terms of developing new semiconductors into our products so that is the part of the strategy. We are not yet looking at how we can get into the semiconductor market of building chips and selling it globally.

NGN Puranik: Then you can take them to the market if it succeeds internally for yourself?

Arnob Roy: Correct.

NGN Puranik: Good so you are not telling me what those secrets are sitting in the 9000 Crores order book. Excellent. All the very best to you and the best wishes to Venkatesh on his future endeavor.

Moderator: Thank you. We have a next question from the line of Nitin Gosar from BOI Mutual Fund. Please go ahead.

Nitin Gosar: Thank you for this call just taking from the previous participant question wanted to understand again on the IP part at what stage we are in terms of IP utilization or are the IP capabilities that we have developed allowing us to bid for complex projects or the IP capabilities that we have developed are allowing us to bid at a lower price, how should we distinguish between these two?

Arnob Roy: If you look at the IP that we have that consists of several things one is the semiconductor IP that we have, the other part is the software IP that we have in terms of software protocols and related elements, then there is the system design IP that we have. So these are all the techniques and

innovations that has resulted in those patents and these are the ones that are also used in our products. So if you look at what does it give us three things: the innovative solutions which gives us competitiveness against our competitors, it gives us cost benefit by being able to use our internal IPs and using it efficiently across multiple products. So, overall, in a nutshell, it makes us more competitive both from a technology point of view as well as from a cost point of view. Thus the IPs that we use span across multiple areas including software, semiconductors, hardware and system design.

- Anand Athreya:** If I may add Arnob because of the leverage it also reduces our time to market.
- Nitin Gosar:** Got it and that is what you indicated the speed is the essence in terms of servicing the market. Second question is with regard to a cost metrics keeping in mind now we are in position to scale up our business should we expect the cost metrics at least the fixed cost part to grow or to stay where it is how should we look at that?
- Arnob Roy:** As I said we have invested ahead of our growth curve so at some point of time this fixed cost will stabilize and when we know that we have invested adequately to take care of our growth it will be stabilized and the business growth will be addressed by what we have. So the investments that we are making in, people and infrastructure and manufacturing lines, we have to scale it to the level we need for executing on our business and then the cost increases will come down significantly.
- Nitin Gosar:** Got it and Sir last bit I know you are not for the competitive reason in position to dwell out on the gross margins but would it be good enough to understand the current quarter where we are and the gross margins we could be having are the appropriate margin the business would command or there is some kind of one-off or something?
- Arnob Roy:** Yes in the sense that as I said gross margin has remained very similar across the quarters. And if you see one of the factors you also mentioned was the expedite fees component and supply chain variability. So once that part comes under control that will help us in reducing our product costs and improving our margins.
- Nitin Gosar:** Perfect Sir this was very helpful.
- Moderator:** Thank you. We have a next question from the line of Arpit Kapoor from Ashmore Investment LLP. Please go ahead.
- Arpit Kapoor:** Thanks Anand and Arnob and congrats on numbers on the topline specifically but just continuing with Nitin's question the last one on the gross margin bit at least in the near term so given that a lot of chip shortage which was probably impacting in the last 18 months that has been addressed but given the order book that we have which we need to execute in the near term how comfortable are we would be in a position to execute the order without let us say incurring those

extra cost because of the delays in supply chain which may get addressed let us say in the next 3 to 6 months?

Arnob Roy: First of all for those large orders the good thing is that we have already placed our purchase orders, we already kind of locked the prices and working towards pulling in the components as per our shipment plans. As I said if your question was that are we going to continue to pay expedite fees over multiple quarters we do not expect that, I think that portion of our cost will slowly come down as we get more predictable in our ordering and our supply chain management. Earlier the whole chip supply situation was so unpredictable and so variable that it hit us badly. We are as I said reaching the tail end of these issues. The variability was a key factor. While the lead times are still long but as long as they are constant we are able to plan more effectively and that is what is happening. So we expect that slowly quarter-by-quarter we are getting under into better control on supply chain and the expedite costs will progressively come down.

Arpit Kapoor: Related to this is some of the incentives that the government of India had given on the PLI front so would that have any impact on the numbers so let us say what we would have produced last year and what we would be producing this year in the next so would part of our business qualify for some of those incentives and how would you want to account that?

Arnob Roy: Yes we have been approved for PLI so all products that we manufacture and do business in qualify for PLI incentives. As of now we have applied for the PLI incentives for last fiscal and that is currently going through the process. We took some time to fill in the application because we wanted to go through our internal and external audits and then we finally put in the application and are waiting for clearance. We will announce it once it is approved but yes PLI is something that we are applying for all products and all shipments that we make.

Arpit Kapoor: Last one slightly on the medium term so as Anand said to the fact that we also want to build a big export order book so how should one look at it on the medium term in terms of the margin profile for the company so would you want to be someone like some other telecom equipment manufacturers which have been there listed across other geographies or how to look about how to look at the margin profile let us say 3 years or five years down the line when the order book is much more diversified and not reliant solely on Indian order book?

Anand Athreya: Yes so look as we begin to grow and we have better purchasing power or bargaining power and also we have a good mix of both domestic and international government and non-government customers so we will definitely see better margins. And also as you do more international business if that split becomes good then I am sure we will be comparable to other large OEMs in this world and our goal is to strive to get there. Now I think with a complete portfolio and with this delivery especially with BSNL I think we will be viewed as a very credible player in the wireless place also in addition to the wireline space and as we build more I think we will be recognized as one of the leading OEMs in the world.

- Arpit Kapoor:** Sure thanks and best wishes to you.
- Moderator:** Thank you. We have a next question from the line of Sachin Jain, an Individual Investor. Please go ahead.
- Sachin Jain:** Hi my question is once you have done with the BSNL order and roughly execute in 18-24 months you are talking about 4000 Crores plus kind of topline and once you are done with this order are you confident of sustaining these kind of run rates that is just my question?
- Anand Athreya:** The answer is look I think it is imperative that we deliver successfully and this is a huge win and a lot of things are at stake here. So it is imperative that we stay focused, but my belief is that once we execute this we will also achieve a lot of credibility which means we expect a lot more companies to trust us to deliver more and I think opportunities will come that is a belief. Now do we have that on hand today, no.
- Arnob Roy:** Also wanted to add that in terms of business opportunities that we see in front of us in India of course after the 4G and the 5G upgrade there are other opportunities coming in 5G from where BSNL themselves are looking at a larger 5G Network. There are government investments coming in BharatNet Phase-III which government has announced which could again be large opportunities. Apart from that all the 5G-driven bandwidth growth in the country and upgrading of the backhaul networks are strong opportunities for us in India. I think the question is how do we accelerate our international business growth based on these successes and whatever we have done in India with especially with deals like this has given us a huge international visibility as well because this is one of the largest single 4G wireless network orders so our brand is getting a lot more recognition elsewhere. So while we have this huge pipeline of India business to really leverage, our focus is that we leverage our success over here to build a similar kind of pipeline internationally.
- Sachin Jain:** Thank you.
- Arnob Roy:** In a nutshell opportunities are all visible it is a question of really winning them converting them and building on that success.
- Moderator:** Thank you. We have a next question from the line of Aditya Mehta from G.K Capital. Please go ahead.
- Aditya Mehta:** Good evening Sir Congratulations on a good set of numbers. So Sir can you please share the quantum of expedite fees and the investment that we have done in this quarter?
- Anand Athreya:** So we do not really disclose the specifics of expenses in each of those categories whether the investments or the expedite fees etc. As you mentioned that had an impact on our product margins and as the next few quarters get over as our supply chain processes get more and more mature and the supply chain stabilizes I think we expect that to steadily reduce and go away in

the future. But unfortunately we do not quantify what is the quantum of the margin hit due to expedite fees.

Aditya Mehta: Secondly how much of the order book do we plan to execute in FY2024?

Anand Athreya: Wireless 50% of the wireless roughly and then wireline is over 24 months. I think this is more of a 24-month pipeline of wireline and wireless that we have.

Aditya Mehta: Thank you.

Moderator: Thank you. We have a next question from the line of NGN Puranik from Enam Investments. Please go ahead.

NGN Puranik: I have a follow on question what is the feedback on the ground level feedback on 4G implementation today from the user?

Kumar N Sivarajan: The customer has not published the details I would say that, pretty much it is satisfactory. Many commercial users are using it, lot of data is being downloaded but exact figure since it is customer confidential, I would not like to disclose, but yes the initial deployments have gone.

Arnob Roy: Also the fact that the customer has existing wireless network so he compares us with his existing deployments as well from other vendors.

NGN Puranik: I was coming to that next question so you answered it so it compares very well with other vendors on a 4G basis?

Arnob Roy: Yes that is very minute and detailed comparison that we go through in terms of our performance.

NGN Puranik: How long will the implementation take to complete on next 2 year-3 year one or how long will that be?

Anand Athreya: I would say 18 to 24 months.

NGN Puranik: 18-24 months and my another question is about from 4G to 5G when you developed is it an incremental effort or is it a long haul effort to develop your backhaul?

Anand Athreya: So there are two components to it there is an incremental effort to upgrade from 4G to 5G but there is also a new development that has happened for the last couple of years already so we are going to get ready with even 5G radios and stuff very, very soon.

NGN Puranik: Excellent so that does not require much capital or people investing?

- Anand Athreya:** As Arnob said earlier the R&D investment is ahead of the ROI.
- NGN Puranik:** So when do you see that 5G launch?
- Arnob Roy:** It will happen sometime next year. In various phases so because there is one part of it is a 5G upgrade of the 4G side and the other part is 5G for the newer bands and then multiple different radios. So there is a wide range of 5G products that we will be launching over next year.
- NGN Puranik:** So there are a lot of upgrades from 4G to 5G so that is again incremental while you are implementing it?
- Arnob Roy:** So lots of IP we are going to leverage of course, in terms of software, in terms of design. In 5G because of the support of new bands and many new applications there will be a good amount of new development that is also going to happen both in hardware as well as software. But a lot of the core technology and development and designs will be reused.
- NGN Puranik:** Most of these implementations are outsourced or?
- Anand Athreya:** Everything in-house.
- NGN Puranik:** In house so how many people you added in the last six months-one year?
- Arnob Roy:** We almost doubled R&D team and then similar kind of growth in all other manufacturing...
- NGN Puranik:** On the implementation team?
- Arnob Roy:** Implementation meaning you are talking about field teams or?
- NGN Puranik:** The people who implement this at the network level.
- Anand Athreya:** So the primary investment has been in R&D but there have been marginal investments support and other functions but in this particular case because we were using TCS they will do the deployment.
- NGN Puranik:** TCS will be doing the deployment?
- Anand Athreya:** Yes.
- NGN Puranik:** Excellent. Thank you. All the best.
- Anand Athreya:** In the interest of time I think we are open for one last question please.



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Moderator: Sir there are no questions currently.

Anand Athreya: Again all great questions and thank you very much and thanks for your support.

Moderator: Thank you. On behalf of ICICI Securities that concludes this conference. Thank you for joining us. You may not disconnect your lines.