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January 28, 2025

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: Q3 FY25 Earnings Conference Call - Transcript

Please find enclosed the transcripts of the Q3 FY25 Earnings Conference Call held on January 23, 2025

This is for your kind information and record.

Yours sincerely,
For Tejas Networks Limited

RANGACHARI RAVIKRISHNAN
Digitally signed by RANGACHARI RAVIKRISHNAN
Date: 2025.01.28 15:52:09 +05'30'

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

“Tejas Networks Limited

Q3 FY '25 Results Conference Call”

January 23, 2025

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

MODERATOR: **MR. MOHIT MISHRA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Tejas Networks Limited Q3 FY '25 Results Conference Call. 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 a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Mishra from ICICI Securities. Thank you, and over to you, sir.

Mohit Mishra: Good evening, everyone. Thank you for joining on Tejas Networks Limited Q3 FY '25 results conference call. We have Tejas Networks management on the call represented by Mr. Arnob Roy, COO and Whole Time Director; Mr. Sumit Dhingra, CFO; and Dr. Kumar N. Sivarajan, CTO. I would like to invite Mr. Arnob Roy to initiate with opening remarks, post which we will have a Q&A session. Over to you, sir.

Arnob Roy: Thank you. Welcome, everyone, to the Q3 FY '25 earnings call. At the outset, I'd like to mention that our CEO, Anand Athreya is not doing well and he is unable to join today's call. So we will be taking the call between me, Sumit, the CFO; and Dr. Kumar Sivarajan, our CTO. Just to get started, I hope you got a chance to look at the slides. I think we took some time to upload.

So I'm on the first slide. Our Q3 net revenues were INR2,642 crores, which is a significant growth over FY '24. The Q3 PAT was INR166 crores and the order book at the end of the Q3 was INR2,681 crores.

In terms of the highlights for the quarter, some of the significant events that happened are the following:

For the wireless business, we have completed RAN supplies for 27,000 plus sites in this quarter, leading to a total of 86,000 plus sites delivered till date in BSNL's 4G/5G network. I want to take a little bit of time over here and kind of share the incredible magnitude of this achievement that we have accomplished with our team. So these are radios developed over 5 different bands from 700 Megahertz to 2.6 Gigahertz and include both single band and dual band offerings. Designing such a complex product and ensuring volume manufacturing with reliable supplies at scale for such a large network is a remarkable achievement.

And as you all know, BSNL themselves have reported that more than 65,000 sites have been deployed and are radiating and they are getting increased customer traction and adoption in the network. So all in all, it has been a tremendous achievement by the company, and we're all proud of the customer success that has come along with this.

So apart from BSNL, with our end products, we have a few ongoing POCs with domestic operators for 4G and 5G. Since they are new products, these POC cycles will usually take time because they may need additional functionality development, additional KPI parameters requiring a product evolution during the POC cycle. So this will take some time.

Apart from this, in Q3, we had started major engagements with multiple international operators for our high-power 5G radios. And we've seen a lot of interest in our high-power radios, and we see

interest in doing country- specific band customization for these radios for both mobility as well as fixed wireless access applications.

For the wireline business, one of the highlights has been signing a 3-year contract with Vodafone Idea for supplying equipment for their pan-India 4G and 5G mobile backhaul network. This win was a result of very extensive testing and qualification of the equipment, both in the lab as well as the field. And this has been mainly our packet transport as well as our optical DWDM equipment. So we have already started the supplies and the deployment is happening as we speak. And this is a very significant achievement for the company and the success can mean a lot of replication of this business and not only in Vodafone, but in other customers as well.

We have been selected as a broadband equipment supplier for state-led BharatNet Last Mile Connectivity in Tamil Nadu. And this has been another significant win, and this is mainly around our FTTX equipment based on GPON technology.

We also successfully completed the POC and received the initial purchase orders for a network modernization win in the US. We had earlier reported the solution win, and then we had a successful POC and first office application in the network. And based on that, we have started receiving the orders for the larger deployment into the network. We think that successful deployment of this network can lead to many other opportunities in the US with similar network modernization opportunities.

From our existing customer in Asia, we received, again, major orders for the expansion of the mobile backhaul network, and this has been for, again, our packet transport and WDM equipment.

From a corporate update point of view, as you've seen from our press release, Sanjay Malik, who was former India Country Head of Nokia has joined the management team as EVP, Chief Strategy and Business Officer.

Sanjay comes with a very extensive experience in our industry, and he has led Nokia's business successfully in India over a long period of time, and we are really very excited to have him on board and really leverage his experience and skills in taking the company's business forward.

I have been elected as the Chairman of TEPC, the Telecom Export Promotion Council for '25 to '27 and succeeding NG Subramaniam, our Chairman, who was the past Chairman of TEPC.

We have won the Global Connectivity Award for Best Hardware Innovation at the Capacity Europe Conference in London, and this has been for our ultra converged broadband access equipment.

We have significantly expanded our office and manufacturing facilities in Bangalore, in line with our business and headcount expansion and we have almost doubled our floor space capacity, both for our R&D as well as for manufacturing. And as part of this, we have set up the center of excellence for wireless communications in our new facilities for advanced research in frontier technologies and stand-alone architectures for next-generation wireless networks.

I will now hand it over to our CFO, Sumit Dhingra for walking us through the financials for the quarter.

Sumit Dhingra: Thanks, Arnob. Good evening, everyone. For Q3FY '25 we did a revenue of INR2,497 crores and other operating revenue, which is mainly the PLI incentive of about INR145 crores. So total revenue from operations is INR2,642 crores, which is roughly about 4.7x of the previous year. Q3FY'25 EBIT was INR260 crores, PBT of INR211 crores and PAT of INR166 crores.

The margins or profitability are a bit lower than the previous quarter, and that's mainly on account of change in product mix. And also, there are certain provisions for old inventory and higher depreciation for certain R&D equipment that we've taken in this quarter.

Moving on to the next page, our inventory levels stand at INR3,127 crores, come down marginally over the previous quarter. Inventory continues to be high mainly due to the ongoing project execution and also certain procurement for high lead time items that we do on an ongoing basis for future projects.

Trade receivables of INR4,730 crores, again, there's an increase in receivables, but this needs to be also looked at in context of our revenues that we've done over the last couple of quarters in particular. And as we go along, as the collections go up, we would see the receivable numbers coming down.

We've collected about INR2,000 crores during this quarter. And the other thing I want to highlight is this receivables are essentially gross of the advances that we received from customer. So while the advances are in current liabilities, corresponding receivables are covered under trade receivables.

So as and when the milestones occur - the receivables will get adjusted against those advances, that are there in the current liabilities. Closing borrowing position was around INR3,157 crores and cash of INR643 crores. Borrowings are mainly for working capital purposes. With this, I'll hand it over to Arnob to take over the rest.

Arnob Roy: Thanks, Sumit. Moving to the next slide. I'd like to give some color about the 9M business. So in terms of revenue mix, in the India government business has been 3% of our revenue, and there has been a year-over-year decline of 40%. And as you know, government business is tender-driven and lumpy. So there are seasonal variations of revenue based on where we are in a project cycle, and this is a reflection of that. India business has been the dominant part of our revenue.

But again, I would like to mention as in the past that this is dominated by the 4G shipments for the BSNL network to TCS, who are the final system integrator. The other parts of the private business also has been Vodafone Idea and a few other private operators in India . The international business has been 3%. It's still a small percent share of our overall business and we have a lot of focus in growing in terms of business.

I mean, this is still something which is going to take some time to really mature. A lot of really good engagement, a lot of really good trials happening. There is a slow and steady increase in the business traction that we see, but we see longer cycles of business conversion into revenue.

Our closing backlog was INR2,681 crores. As you can see, a relatively smaller portion for the international business. And we had anticipated a larger backlog over here driven by some of the

large opportunities that we were targeting, one of them was the expansion of BSNL's 4G network and 5G upgrade, BSNL's 5G SA network build out.

This is for the 5G bands. And in Indian Railways, the collision avoidance system. Private 5G application for a large enterprise in India, where we have done extensive trials and we've done successful trials and discussions are in advanced stage. And then the band customization that I talked about for 5G radios for a few tier 1 international operators. Those are some of the large opportunities that we are working on in wireless.

For wireline, BharatNet Phase 3, which has been in the news recently, where the results for the tenders have been announced and are still getting announced and the system integrators have bid. I think most of the tender results have been announced and for some of them, the orders have also starting to get placed. And this is at a stage where the SIs are going to start engaging with us, with the OEMs in terms of the product supplies, and this is the phase that we are in right now.

And over this quarter and early next quarter, we expect this to happen. Then the expansion of WDM backbone for the utilities segment, we expect significant investment to happen over here but the large tender opportunity over there has got delayed. And then we talked about FTTH and network modernization deal with multiple operators in Middle East, Africa and the Americas and the Metro network expansion for private operators in India for mobile backhaul and enterprise services. These are the key opportunities that we're targeting.

Some of the large tender-driven opportunities such as the BSNL expansion network, 5G, Power, BharatNet etc., are all live opportunities, which are maturing as we speak, and we expect them to convert in Q4 of FY'25 and Q1 of FY '26. And that should contribute to our business for FY '26. So at the end, I would also like to kind of recap. We still see very strong drivers for our business, both in India as well as internationally. We see continued investments in fixed and mobile technologies worldwide.

The drivers remain the same that we discussed, mainly the cloud enterprise, digital transformation, 4G and 5G have a long deployment cycle. There's a long runway of 4G deployment also, long tail of 4G and 5G deployments globally. Massive investments in broadband connectivity, both in India as well as worldwide in Europe, US and all other geographies. Modernization of utility networks across the world, digitization of cities and economies.

And on top of these, I think the new -- the new major investment that is happening is setting up AI data centers and the networking within the data center as well as the connectivity. This is going to be a major driver for networking business for us. You may have heard about very recently, the announcement of about $500 billion of investment in building AI infrastructure in USA. So similar kind of investments are happening across the globe in all geographies. So that's also expected to be a major driver for our business. So what it means to us is our investments in line with those.

As for wireless, of course, developing state-of-the-art 5G RAN equipment, supporting diverse bands, which are the spectrum, which is available across the world, including massive MIMO radios, fixed wireless access solutions for the N78/3.5 gigahertz as well as the millimeter wave bands.

Support for both 3GPP and ORAN standards in our products and product architectures to support any kind of configuration or architecture that the operators choose. We are starting to see a lot more traction happening for ORAN-based applications for 4G and 5G radios and all products are designed to support both architectures.

And by leveraging a lot of the technology that we have from Saankhya Labs in satellite communications, we are building advanced non-terrestrial communication capabilities in our 5G RAN equipment. And a lot of this is going to be part of 5G advanced as well as 6G standards. And we have a layup in terms of the access to the technology that we can have for evolving our RAN products.

From a wireline perspective, it just means higher speeds and higher capacity. So the state-of-the-art of 400 gig and 800 gigabits per channel has to evolve to 1.2 terabits per channel, and that's going to come out in this calendar year.

We're evolving our gigabit GPON to 10 gigabit and 50 gigabit PON standards. We are seeing a lot of adoption of FTTX PON technologies for enterprise and mobile backhaul applications because they offer a much more cost-reduced architectures for large- scale networks, and we are seeing the evolution from not only for residential broadband, but also for enterprise and mobile backhaul applications.

And that requires building additional technologies and protocols for our PON equipment, which we are investing in. And then evolving our converged broadband product, which is one of our flagship products, which provides a convergence of multiple access technologies providing broadband capabilities.

So these products we are upgrading, to support LTE for fixed wireless application. We're evolving it to support 5G, and we are upgrading our GPON to XGS-PON and higher speeds. So these are the initiatives that are going on in terms of supporting the business drivers and the growth that we see, the growth drivers of our business worldwide.

We are also investing significantly in our business development and sales. One of the key initiative over here has been bringing Sanjay Malik on board and leveraging his experience in our field and his relationships and experience and to drive strategy as well as business development within the company.

We expanded our sales teams in North America and LatAm regions, which is a special focus area for us, and we are seeing quite a good success that we can build on. We have also expanded our partner networks in Europe, Asia and ANZ regions as we build our business in this region incrementally.

So with this, I come to the end of our presentation, and I'd like to open the floor for Q&A.

Moderator: First question from the line of Vimal Jamnadas Gohil from Alchemy Capital Management Private Limited.

Vimal Gohil: Congrats on a good quarter. My first question is for Sumit sir. Sumit sir, if you can just help me understand on the gross margin front, while you've highlighted what are the levers that have impacted the margin this quarter. But if you can just help me understand what was the change in mix like in the wireless piece? My assumption is that when you say mix change, it would be the increase in the wireless equipment sale that would have happened this quarter.

So if -- and most of it would be coming from BSNL. And given the fact that BSNL would be at the fag end of execution, should our gross margins be much better going forward? That's question number one. The second question is on -- if you could help us with an update on how is the overall business piece or the pipeline looking like excluding of the BSNL deal, both in India and abroad.

I do understand we have won some deals, but if you can just help us with some timelines, etc., that will give us better clarity. And lastly, just one data point. If you can help me what is our headcount like at the end of the December quarter?

Sumit Dhingra: So I'll take the first question on gross margin. And so basically, like I think we've mentioned also in our earlier conference calls, while it's difficult to comment specifically on project-by-project, but what it means by changing product mix is that even as part of one project, there could be various types of products, different configurations that we ship. And depending on the product -- depending on the margins of the products that get shipped within a particular quarter, whether it be one project or across multiple projects, that would drive the margin movements up or down.

And the other point related to your BSNL project as again, mentioned this in the past, given that this is a first wireless project, margins were slightly lower than what you would see, let's say, in typical wireline business. As we go along, as our international business picks up, as we're able to widen our order book, we expect margins to improve over the next few quarters. On your second question about the business pipeline, I think I'll request Arnob to comment

Arnob Roy: Yes, yes. So -- our business pipeline has 2 portions. One is, of course, the run rate business from existing customers, which have long- term contracts. The Vodafone-Idea deal is an example, where it's a 3-year contract for supply. So with most of the private operators, I mean that's what we have, and that's not there in our order book, right? We don't show that in our backlog order book. But the major components that we are banking on in our order book are the projects that we talked about for the expansion of BSNL's 4G network and 5G upgrade.

And as we speak, there is a lot of movement and progress happening over there. This is also something that is going to be one of the significant opportunities that we are planning to close in this quarter and next. The other one is, if you are aware, BSNL is also planning on building their stand-alone 5G network in 3.5 gigahertz band. So that's another area where we have a very strong opportunity.

And the third one was the Railway's Kavach, the collision avoidance system. We did a successful POC over there for our 4G products, and we also wanted to try out 5G. And that testing has also been done successfully. We are waiting for the tender to come out and bid over there. Then I talked about private 5G application.

This is also a deal where we have completed the POC and we are in commercial discussions. The other one, we're talking about is the engagement with a few tier 1 international operators. That's a little longer sales cycle because we are currently in advanced technical discussions and there will be some amount of R&D work required for the customization of these products. And for the wireline, the BharatNet Phase 3, I think that's been in the news and you're aware of it, and we have an opportunity for these projects.

We're also expecting very large deals for the utility segment for the power and rail segment where they are significantly investing in growing their nationwide WDM backbones to address their telco business. And a lot of that has been built using our equipment. So as they upgrade it from 100 gig to 400 gig and above, this is another major opportunity that we are lining up for. And the others, of course, the run rate, the Metro network expansion and similar opportunities. So that will happen consistently quarter- over-quarter over the year.

So these are some of the key deals in the pipeline that will go into adding to our backlog that we have and we expect to contribute significantly to our FY '26 business. The first question was about headcount. So as of today, we are upwards of 2350 people, and more than 60% of them are in R&D, that is part of our engineering team.

Vimal Gohil: And sir, one last question. On the BSNL deal, given the fact that our initial deal that we had with BSNL was for 1 lakh towers for their 4G equipment. We have already completed 86,000. Would it be fair to assume that next quarter, we'll see this execution being complete for the 4G part and post which in FY '26, we should see the 5G part ramping up. Is my understanding correct?

Arnob Roy: That's correct. I think this initial 1 lakh site order should get executed in this financial year. So what we expect to see is, again, an expansion of this 4G network because I think there is still some way to go for them to get coverage across the country wherever their plans are. So there will be expansion of this 4G network and upgrade of this network to 5G as well.

And there are separate opportunities for 5G in the n78, 3.5 gigahertz bands. So there are multiple opportunities. One is the 4G expansion itself. There's a 5G upgrade of the existing network and then the 5G build-out in the n78 band.

Moderator: The next question is from the line of Ritesh Poladia from Girik Capital.

Ritesh Poladia: Sir, on BSNL, can you comment how is the working of this 86,000 sites? I assume substantial would be already operational. So are they working as per your expected parameters and managing peak process?

Arnob Roy: Yes. As you can see, we only report what we supply, which is more than 86,000 sites. But BSNL themselves have reported, if you see yesterday or day before that 65,000 of these sites are operational and live. Field installation is a little more than 65,000 but 65,000 are actually live and radiating and actually serving customers. So as far as we are concerned, I think BSNL is quite happy with the performance and quite happy with the customer acquisitions that they are doing.

So yes, I would say it has been quite successful as far as we are concerned, both in terms of the equipment supplies as well as their performance in the network.

Ritesh Poladia: So the product doesn't need much of tweaking. In terms of also feet traffic, it's working as per the parameter...

Arnob Roy: Yes, yes, yes absolutely. I think performance has been tested extensively during the POC that happened before we got awarded the contract. There was almost a year-long POC that happened where every aspect of our equipment's performance got compared with the state-of-the-art that has been deployed in the country. So only after that, we got awarded the contract. So I think there is no concern on that front at all.

Ritesh Poladia: So POC and reality is same?

Arnob Roy: Sorry, what and reality?

Ritesh Poladia: POC performance and real performance is same.

Arnob Roy: Absolutely. And by the way, I mean, just to let you know, POC was not just a small-scale lab test. POC was done across many sites in Chandigarh for more than a year. It was built across the Chandigarh City, across many sites and testing has happened extensively over these sites. So with that kind of rigorous field testing, it's not surprising that the real-world performance and POC performance are at par.

Ritesh Poladia: Second question on R&D spend. I think roughly company is spending about INR600-odd crores on R&D. Now if the company doesn't win substantial contract in next few months, so there is a possibility of revenue decline. So in that scenario, do you think in FY '26, the R&D spend can be curtailed? Or will you still maintain your R&D as whatever are your plans?

Sumit Dhingra: So I think without commenting on the revenue visibility and outlook, from an overall long-term investment perspective, I think we'll continue to build our products, continue to invest in R&D. As I mentioned in earlier conversations as well, it's an important part of what we do in terms of the industry that we operate in and our overall plans that we continue to build on the products. While we would always look at optimizing and controlling the overall spend in general, but at an absolute level the investments in R&D will continue.

Ritesh Poladia: Then lastly, sir, what would be your import content in the materials? Or now is the domestic sourcing is higher?

Arnob Roy: Yes. So we have localized a lot of the components that go into our products, especially in our 4G, 5G radio. But having said that, I think most of the electronics -- active electronic components are imported and it varies from product to product. The amount of it can vary between 40% to 65%, in terms of the active electronics that gets imported especially for the semiconductor chips. But a lot of the key ingredients in terms of enclosures, accessories, cables, connectors, mechanical items, Passive components, a lot of that has been localized in India. In addition the entire manufacturing and assembly process including the PCB assembly as well as system assembly and testing are localized. So a significant part of the entire manufacturing operations are actually done in India.

Moderator: We have the next question from the line of Rishab Gang from Sacheti Family Office.

Rishab Gang: I want to understand on the international order front, I think we target tier 2 and tier 3 vendors. So how do we ensure that we win the orders from these kind of customers and the order does not go to the foreign players like Cisco, Ericsson and Nokia. Also, what kind of cost advantage do we really have? Because these players also have Indian R&D and manufacturing setup, right? So what is the cost advantage we have? And what can be the reason for maybe not winning an order and maybe Nokia, Cisco, Ericsson winning it? Like I want to have some granular insights on it, sir.

Arnob Roy: Yes. So the same equipment from different vendors are not identical. Each vendor builds their product with their unique thinking in terms of the network applications they want to optimize it for and want to serve well. So what usually happens is that based on the applications a particular architecture wins. For example, as we've spoken before, if you compare our equipment with other wireless equipment, it is differentiated by the kind of technology integration that we have done in terms of combining the baseband unit with the transport or backhaul functionality.

So in a typical RAN equipment, an operator would need to have the radio, the baseband unit and a separate backhaul unit in terms of a router or some other transport equipment at the tower to really backhaul the mobile traffic. And we have implemented a very unique architecture where we integrated the entire backhaul functionality in our RAN equipment thereby giving the operator significant savings in terms of his network deployment cost.

Similarly, our baseband unit is also a converged network product where you can also plug in additional modules, which can do broadband services for enterprises and homes. So given a footprint in a particular area, say under a tower, by adding these modules, the operator with a very incremental cost can actually reach out to many more customers in that area by delivering broadband services.

So while the technology still remains 4G or 5G from a radio perspective, but the total cost of ownership, the total cost of the solution for building the network and the other applications that come along with it gives our implementation and architecture, a unique cost advantage for the operator.

So the cost advantage is not in terms of using a cheaper component than my competitor for a specific functionality. It is in the novel architecture of the product, how we have designed it and what kinds of applications it serves more cost-effectively. So I just gave an example of that.

And so similarly, we have many other such examples even for our wireline products. So I hope I've been able to answer this question. And that when actually operators value that kind of cost optimization that we get in the network, that's the key reason that we win.

Rishab Gang: So what kind of lifetime value, right, maybe a customer saves, right, because of all this integration and all? Like can you give some more granular insights on that, like some numbers or some percentage?

Arnob Roy: Well, it depends on the application. The integration of radio with transport is one kind of optimization, the access to transport, that's another kind of optimization. And so the cost savings are not only in terms of the cost of the equipment, but also in terms of the operational expenses.

Being able to deliver multiple services from a single equipment with a single management software gives them a lot of operational savings in terms of their own training costs, power etc.

So you may get a cost of goods advantage of maybe 20%-25% to that extent, but you get a larger benefit in terms of the opex also in terms of running a converged or integrated equipment. So it's like it really varies, and these are just kind of indicative of where the benefit really comes from.

Rishab Gang: Very helpful. what would need to happen, right, for us to win India wireless orders, right? So I wanted to understand what is the status of ongoing POCs, right? When do you think the outcome of these POCs will come through? Also, if such POCs are happening for international orders, what do you think about that?

Arnob Roy: Yes. So as I mentioned that live POCs are going on for operators in India, and we think probably in this quarter or in Q1FY'26, we should be able to see some success in that in terms of additional orders and additional deployment. For international customers, we have a lot of ongoing engagement. Obviously, our success in BSNL has given us a lot of visibility globally. And people see our equipment and see our architecture and the efficiency of our product, and they are very interested.

And there's a lot of discussions which are going on in terms of how do we customize it for their specific bands, which are there in their countries, right? So that's what is going on. So those will take a little longer to really convert because that will require some amount of customization as well. But that's the kind of engagement that is happening in the international market for our wireless equipment.

Rishab Gang: Just one last question from my side. On the international front, right, we have said that we are expanding teams in North America and LatAm region and partner networks in Europe, Asia, ANZ. Can you give some numbers, right, or some insights on how we have performed -- how we have expanded versus last year, right, or maybe 2 quarters before. Some numbers on headcount in the sales team outside India or partner networks outside India like that?

Arnob Roy: Well, with respect to last financial year, we have grown our teams by more than 50% in those regions. In the US and LatAm, we've added at least 6-7 people, both in terms of system architects, senior sales, marketing people as well as account executives. That's a significant increase in headcount. In every region, we've added 1 or 2 partners based on their geographical territories. So that's roughly an example or quantification of how we have invested in terms of sales.

Rishab Gang: And how does this partnership work? Like do they -- how do they help you in getting the orders? Just if you can give some insight on that?

Arnob Roy: So the sales partners, basically, they are people who have operations local to the region. And there are many countries where the business is done in the local language, right? So they are people who are set up over there who have the expertise of building telecom networks, who have the expertise of supplying in that region. They understand the technology well. They have the customer relationships.

They have the experience of building networks using these technologies. We have countrywide

presence in those countries, whether Indonesia, Malaysia, maybe in the Middle East and all, where we need on the ground presence and country presence for building networks because that's how our equipment is deployed. So we need that we need local language support for dealing with the customers as well as for handling business at remote locations within the country.

So those are the nature of the partners who are there, people with significant in-country presence, significant local language support and significant customer relationships in those regions. So those are the people we work with in terms of partnering, in terms of sales and supplies and deployment and support.

Moderator: The next question is from the line of Advait Lath from Nippon India Mutual Fund.

Advait Lath: So just congrats on a solid set of numbers. Just picking up from the previous question. I just wanted to know what is the environment we are dealing with in the North American continent and LatAm in terms of the regulatory environment, especially because of regime changes, etcetera, and also the tariffs that we might be getting incurred upon us because of this and how we are going to deal with it and also the lead times within these continents?

Arnob Roy: Yes. So in terms of regulatory environment, there are really no issues. I think the only regulatory thing we need to meet is the performance of the equipment because these are advanced equipment, and they have to meet the global or country-specific standards in terms of their performance, safety, radiation etc., certified by agencies such as TUV and UL.

And we have to have our equipment certified against those standards before we ship to those markets. And when we design our equipment, before we take it to production, we make sure that we have tested for those standards in various markets. Many of them are very, very similar. A few of them may have one-off extra features but we make sure that the equipment are upfront designed to meet those regulatory requirements and we get the necessary certifications before we ship the equipment to these countries. And that testing happens actually in India because all those global certification labs like TUV, UL actually exist in India. So that's as far as regulatory compliance is concerned for global standards. Now as far as tariffs and all are concerned, it's still an open question. We really do not know. I mean nothing has been announced, so nothing has come up. So until that time it comes up, it's all pure speculation on this front.

In terms of lead time it's very similar for customers everywhere. There is a process of lab testing, there is an initial technical engagement, we make presentations, go through extensive technical discussions on what is the value that we're providing to the customers.

We then enter into a cycle of product testing. Sometimes they do remote demo followed by testing in their labs. The customer actually deploys our equipment in their network in the field to see its performance, so this stage often takes some time. And after that we engage in commercial discussions and get into an agreement. So that's how a deal progress.

That's the reason why from the start of investment of a particular opportunity cycle to closure, it usually takes a long time. But when you are selected, and if your performance is okay, the supply cycle is also a long one. It's at least a year, if not a multiyear cycle or it's a major project deployment

that happens because the operators also invest a lot in going through the testing process in selecting a particular vendor.

Advait Lath: Got it, sir. And just a follow-on question. This has to do with our Vodafone and Idea -- Vodafone Idea deal. So just wanted to ask what are the terms of the agreement, if you can share some detail on that?

Arnob Roy: Yes, yes. It's a very standard agreement like we have with any other private operator, which is to do with supplies of our equipment in a few set of states for a set of circles. So we are building the entire network for the state across multiple states. And the contract includes supply and deployment and commissioning of the equipment, including supply of network management software and making the equipment live and connecting it to their mobile 4G, 5G networks and getting the traffic running. So there's the entire scope of the equipment and we are getting paid as we do the supplies.

Advait Lath: Got it. And this will be in tandem with TCS or this would be an independent contract?

Arnob Roy: No, this is an independent contract with us directly.

Moderator: The next question is from the line of Sunny Gosar from MK Ventures.

Sunny Gosar: Congratulations on the very quick execution for the BSNL project over the last 3 or 4 quarters. My first question is related to the PLI incentive. So we have booked about INR500 crores plus of PLI incentive in the last 4 quarters. Have we been receiving the money on a regular basis? Or is this still completely outstanding as on December?

Sumit Dhingra: We received the PLI incentives for FY '23 in FY '24. And typically, the payment happens in the subsequent year. So what you would see in recognized as revenue in FY '24 is what we would expect to receive this year. The process for that is on. We've submitted documentation. There is back and forth with the nodal agency and thereafter with the ministry. So we are hopeful of getting the incentive for FY '24 soon. And then for FY '25, the corresponding incentives are something that we would expect to get in the next fiscal.

Sunny Gosar: Got it. That's quite helpful. In the earlier part of the call, you alluded to a few opportunities like the Kavach program, the 5G -- private 5G application, the BharatNet Phase 3 project. Will you -- like if you could give some color on the quantum of some of these opportunities, some ballpark numbers or some indicative color on how large some of these opportunities could be? And like on an annual basis, how much revenue opportunity that could lead to over the next few years?

Arnob Roy: These are very significant 5 projects. For the BharatNet Phase 3 project the overall budget has been public information for some time. And I think in all of them, the equipment opportunities for us ranges from a few hundred crores to several thousand crores as well. There's a wide range and a lot of it, but each of them is a fairly significant sized opportunity. And what it will turn out to be for us depends on how much of each of those opportunities we win. But each of them is of a very significant size.

Sunny Gosar: Got it. And in terms of the conversion of these opportunities or proof of concepts into actual orders and then eventually into revenue, can you like give some kind of indicative time lines or which of

the projects are more closer to conversion as compared to some of the others? So some indicative color because the order backlog now is about INR2,600 crores and most of it is related to BSNL, which would mean that post Q4, assuming that no new orders come in, there could be a temporary dive in terms of the revenue.

So how should we look at this in terms of continuity of revenue and the future outlook in that sense?

Arnob Roy: Yes, yes. So first of all, backlog right now, a lot of the BSNL backlog rundown -- order book rundown has happened. And a good part of the backlog is also the non-BSNL business. But having said that, you're correct in the sense that it is still significantly small compared to what we had at the beginning of the year. So yes, most of these opportunities that we're talking about -- whether it's BSNL 4G network expansion, 5G or the Kavach or BharatNet, we expect to see conversion in these in Q4 and Q1FY'26 and a significant part of that should be executed in FY '26. So if we are successful in most of these opportunities, it could lead to a significant bump or refilling of our order book.

Sunny Gosar: Got it. And one last question.

Arnob Roy: I would also like to make it the last question of this session, if you don't mind. I think we're running out of time. So please let's take this last question.

Sunny Gosar: So one last question from my side. Basically, the BEAD program in US, which is like a multibillion-dollar government program and also the Rip and Replace initiative that the US government has announced. So are we likely to be beneficiaries of those programs? And what kind of opportunity do we see in the North American market?

Arnob Roy: Yes, both of those programs we are trying to address with our local partners. BEAD is about the expansion of broadband rollout in the rural areas of US where there is a significant amount of investment. And a lot of the investment is happening in phases, and we are working actively with our sales team as well as partners over there to win a part of this business.

The same holds for Rip and Replace. Rip and Replace, doesn't really imply that there is some equipment to be replaced. It typically happens when customers and operators expand their network in those regions. And along with that, the replacement of equipment and expansion of the network also happens.

Besides BEAD and Rip and Replace, another significant opportunity that we are targeting in North America is network modernization. Most telecom networks in North America have been built over many, many years using old TDM technology which were optimized for voice. And as they modernize the network to a more modern packet-based infrastructure, they cannot really replace all of their endpoint connectivity so easily.

So they require a special technology called circuit emulation over packet networks for being able to modernize the heart of the network and slowly transition their older networks to more modern interfaces. And that is something that we are able to address with our products, along with BEAD and other optical transport opportunities. Our dense circuit emulation solution is seeing a lot of

traction in these markets.

Sunny Gosar: Got it. That's quite helpful. And thanks for the detailed answers on all my questions.

Arnob Roy: So with that, I would like to thank everyone for joining the call. Thank you for your questions and hope we've been able to provide a good insight on our business and look forward to talking to you all again the next quarter. Thank you very much.

Moderator: On behalf of ICICI Securities, that concludes this conference. Thank you all for joining us. 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