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April 26, 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: Q4 FY23 Earnings Conference Call

Please find enclosed the transcripts of the Q4 FY23 Earnings Conference Call held on April 21, 2023.

Kindly take the above information on record.

Yours sincerely
For Tejas Networks Limited

RANGACHARI RAVIKRISHNAN
Digitally signed by RANGACHARI RAVIKRISHNAN
Date: 2023.04.26 17:08:05 +05'30'

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

“Tejas Networks Limited
Q4 FY2023 Earnings Conference Call”
April 21, 2023

MANAGEMENT:	**MR. SANJAY NAYAK – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – TEJAS NETWORKS LIMITED**
	MR. ARNOB ROY – CHIEF OPERATING OFFICER AND 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
	MR. ANAND ATHREYA – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR – DESIGNATE – TEJAS NETWORKS LIMITED
MODERATOR:	**MR. BHUPENDRA TIWARY – ICICI SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Tejas Networks Q4 FY2023 Earnings Conference call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, 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. Bhupendra Tiwary from ICICI Securities Limited. Thank you and over to you sir.

Bhupendra Tiwary: Thank you Darwin. First of all, hello. Good evening everyone. Really sorry for the delay, but we'll just being. So on behalf of ICICI Securities we welcome you to the Q4 FY23 results conference call of Tejas Networks. From the management we have Mr. Sanjay Nayak, who is CEO and MD; Mr. Anand Athreya, who is CEO & MD Designate; Mr. Arnob Roy, who is COO and Whole Time Director; Mr.Venkatesh Gadiyar, who is CFO; and Dr. Kumar N Sivarajan, who is CTO. So without much ado,I will hand over to Sanjay for the opening remarks, post which we'll take a quick Q&A. Over to you, Sanjay.

Sanjay Nayak: Thank you, Bhupendra, and welcome to Tejas Networks' earning call. Good evening, everybody. We had updated our presentation that I'm going to walk through on our website. I hope you had a chance to download that, because I will be walking through that. So first of all, just a quick update on the quarter. I'm on the first slide in terms of the key updates for Q4.

So, for Q4, our net revenues was INR299 crores, and for the whole year, it was INR920 crores, which was an increase on 67 % for the full year, and 136 % on a quarter-on-quarter basis for Q4. And as we mentioned in our press release, this is the highest ever annual revenues that the company had till date. So I think we had a fairly strong year.

In terms of profitability, we had a loss after tax of INR11 crores for the quarter, and INR36 crores for the whole year. I'll give a little bit of commentary about what the thought process in terms of investment and go-forward plan is a little bit later in the presentation. This is on a consolidated basis. On a standalone basis, Tejas is profitable even on the whole year basis as well. Our cash and cash equivalents at INR 1306 crores, and we again have no debt. And the order book at the end of Q4 is again at an all-time high of INR1,934 crores.

In terms of key highlights of the business, on the wireline business, which is our optical transmission products that are our historical products as I would say, we seem to – we continue to see a very strong business momentum, a lot of new wins, which is pretty much all our order book at this point in time is of our wireline business. Recently, you would have seen an announcement that we won a Pan India router tender for around INR696 crores against all the top global companies who make routing products. So I think this was a very good win for us because it gives us a lot of scale in terms of that kind of a product line as well.

On the wireless business, the 4G projects, many of you are aware of the stuff that we've been working for a large project in India. We are well positioned from a preparedness angle as well as from all the technology, as well as the proof of concept and all those other things. And there was a requirement to initially ship 200 sites, which is more than 600 radios for a few cities in North India, which we successfully completed in the month of March. So that basically gave us a way to prime up our supply chain and all the other processes and systems so that we are well geared as we volume scale up with the large order that we are expecting.

From a supply chain angle, which has been a challenge for a lot of the companies around the world because of the semiconductor component shortage, again, I had mentioned in the earlier calls earlier in the year that we were making some structural changes in terms of our internal processes and systems to basically better handle the challenges that the supply chain was presenting to us. And again, I'm saying that we made a lot of progress during the year, which resulted in four consecutive quarters of Q-on-Q and Y-on-Y growth.

In addition, we have been doing a lot of work over the last six to nine months in terms of expanding our manufacturing capacity, so that we should be able to not only secure the large backlog of orders that we have, and we hope to win new orders even on optical as the year passes by, but also the large wireless order that we are expecting. In line with that and in our own strategy, it still continues to be the same, which is to be having an asset-light model for manufacturing. And we have signed up four new EMS partners so that we have enough manufacturing capacity available. Once we are able to get the components in play, and we have again taken inventory actions to ensure that all the long-lead components which are going to be required are ordered so that we can make the supplies as required by the customer in time.

So overall, I would say the preparedness from a supply chain angle with respect to internal process systems, external EMS partners and taking longer inventory actions gives us a lot of confidence that as the year progresses and as the orders start flowing in addition, we will be able to scale up and continue to make the supplies, while still maintaining our basic DNA of having an asset-light model of manufacturing.

From an investment perspective, we have continued to hire a lot in R&D and supply chain, and also the field support, which is going to be required for large rollouts of the things that we are looking at and with the larger volume of business that we have. So, our headcount during the financial year increased to 1,305 people, which is a 41% year-on-year growth.

One other thing I wanted to highlight, which we kind of mentioned in our results, is that this is the first year in which, as you are aware, we had a design-linked PLI incentive for which our application was approved for a total of INR750 crores of investment. We had a certain commitment to invest in terms of capital investment for year one, which we have made. There's a certain minimum revenue that we are supposed to get, which we believe we have done. So we'll be looking at all of those aspects in filing for the claiming of PLI benefits, which could potentially be in the tune of INR32 crores or so, which, since we have not yet filed the application, we have not recognized that profit in terms of that incentive in our FY23 financials.

In terms of a few other things which I think are interesting and important for your company, as a company, we were given the Telecom Person of the Year Award by Voice & Data Magazine, which is the leading Telecom Journal in the country, for development and commercialization of indigenous 4G telecom stack, and this was conferred upon us along with TCS, C-DoT and BSNL.

So this is, again, a proud moment for the country because what Tejas has been doing in terms of building end-to-end telecom product stack, whether it's from optical to fiber access in terms of GPON and now 4G and 5G, is something that really is giving us a lot of confidence, both as a company and as a country, that we are ready to scale up and become a global player in the telecom OEM space. We also received a few more awards in terms of most valued vendor partner from ELCITA, Bangalore and others. During the quarter, 18 patents were granted, so the total grant is up to 217 and between Tejas and Saankhya, we have now filed a cumulative around 445 global patents.

Coming to the next slide, in terms of a few key corporate updates, starting from the first one, which I believe many of you would have read the press release towards the end of March, I made an announcement to voluntarily step down and take retirement from the company by the next AGM, and although it might, to some of you, sound as a sudden decision, I just want to give you confidence that this was something that I had been planning for about a year.

The whole objective was that we made a long-term strategic plan for the company, we made sure that what needs to be done over the next three to five years to take the company to among the top global OEMs in the world, and my objective was to make sure that before I announce my retirement and step down, the company should be in a very, very strong footing and our foundation should be rock solid. As you can see, we had the best ever year in terms of bookings, revenues, and the foundation today is ready that we can scale up on an exponential basis in terms of the revenue opportunities that are coming up.

From a personal commitment, and many of you know me and have seen me operate, I've been working very intensely and with a lot of passion for 23 years from founding the company to where it is today, and it was difficult for me to make the commitment for another five years and say that this is the intensity with which I can carry on. In that sense, this was a very good time to start transitioning, and I'm very happy that the vision and the execution that we have will be continued, and that is really where the whole thought process came together.

I'm also happy to introduce Anand Athreya, who is with me here, who is the CEO and MD-Designate, who has joined us early April. We've been working together on the transition, and he's really picking up a lot of the stuff. Anand actually comes with a very strong industry background. He was in the US for many years, and in Juniper Networks, which is one of the best companies in our industry in terms of technology, he was with Juniper US for 18 years and served as their Executive VP and Chief Development Officer prior to joining Tejas.

The best part is that Anand brings in a lot of global experience, and having done things from the US side, the DNA of Tejas in terms of people like Arnob, Kumar, Gadiyar, who are all my Co-Founders and the rest of the team, we have a very strong DNA from how to build a company from India and get to the state that we have. So I think it's a great combination to put together, and I feel very comfortable that going forward there will be a lot of continuity of vision and execution, and the company is in very good hands. Probably this is a good time for me to say that, yes, things are looking good. We have a lot of momentum, and the transition can be planned effectively.

Maybe I'll ask Anand to say a few words from his side, because he's not been on the earnings call before. So Anand, over to you.

Anand Athreya: Thanks, Sanjay. Good evening. So I'm very excited to join Tejas. As Sanjay mentioned, we are at an inflection point where the company has come a long way over 23 years and with solid footing. There's a lot of growth opportunity. I'm excited to be part of that journey to ensure that we build a world-class OEM equipment company, both telecom and networking, from India. So looking forward to working with you guys in the coming quarters and years. Thanks, Sanjay.

Sanjay Nayak: Thank you, Anand. A couple of other updates from a corporate angle. Ms. Alice Vaidyan, who was the earlier Managing Director of GIC of India, really has a lot of rich experience. She also joined us as an Independent Director post the retirement of Ambassador, Leela Ponappa, who's retired earlier in this quarter.

And also from a rating perspective, ICRA has reaffirmed our long-term and short-term rating to A+ and A1+, respectively as on March 31st. And we have INR560 crores of banking facilities that can be made available.

Going to the next slide, I'm going to request Venkatesh Gadiyar just to walk us through a couple of slides. I might add in a few comments after he gives you a brief summary of the numbers from the growth angle and so on.

Venkatesh Gadiyar: Thank you, Sanjay. Good evening, everyone. We are in the slide Q4, FY'23 financial update. We have been growing on the revenues consecutively for the last four quarters. Q4 revenues were INR299 crores, year-on-year increase of 136 percentage. And we had a EBIT loss of INR43.7 crores and a PBT loss of INR27 crores and a PAT loss of INR11.5 crores for the quarter, and the EPS of minus 0.70 paisa.

And for the year-end, the revenues were INR919.6 crores, which we saw a growth of year-on-year growth of 67 percentage and EBIT loss of 108 crores and a PBT loss of INR43 crores and a PAT loss of INR36 crores and an EPS of negative INR2.46 paisa. And while we are on the PAT loss for a consolidated basis, on a standalone basis, Tejas had a revenue of INR869 crores and had a PAT profit of – a profit after tax of INR3 crores in FY'23.

And the revenues in the INR919 crores of revenues for the FY23, around INR50 crores the revenue came from Saankhya. Similarly, EBIT and PBT of INR34 crores, which came – the loss of INR34 crores, which came from Saankhya. Similarly, PAT loss of INR23 crores includes from Saankhya. And also, the EBIT, PBT, and PAT of FY'23 includes the amortization cost of around INR13 crores which is as per the purchase price allocation which we have done on the acquisition of the Saankhya Labs towards the valuation of the technology assets that we have acquired.

Sanjay Nayak: Just one comment I wanted to add to what Venkatesh just mentioned is that, on an overall year basis and we have been communicating during the year as well is that, our gross margin as a percentage did see a dip compared to what our historical numbers were and what it was in the previous year. And the reason for that, as we had recounted earlier, was that the input cost, which is the semiconductor costs have increased quite significantly. And since some of our contracts were fixed-price contracts and we did not have an ability, which is what was coming out of our backlog, we did not have the ability to reprice those contracts. And hence, our margin pressure was there because our input cost increased and the prices on the other side were fixed.

The second reason, again, for a GM (Gross Margin) percentage reduction was that while on an overall basis our international business was almost flat year-on-year, and as we have earlier mentioned, the margins internationally are significantly higher than the margins in India. And since the international business as a percentage of total did not increase in the same ratio that the overall business increased, that again contributed to a slight reduction in the margins.

The third point is that at the beginning of the year itself we had made a plan that we were going to be using FY'23 as a year of investment. And the sandbox we are working with is to invest as much as possible while being at least nominally profitable so that we could actually make investment for the long-term growth, which is what we will be seeing in the coming years.

And so, we invested a lot more in R&D, a lot more in terms of supply chain, a lot more in terms of sales or support and all the other functions. Some of those things also came into place, and from an internal discipline perspective we believe that we were able to accomplish those objectives. And as Venkatesh said, that on a consolidated basis we did have losses coming from the Saankhya acquisition, and some of them are based because of noncash charge on the account of RSUs that we granted them as a part of the merger process.

So again, all I wanted to say is that there was a gross margin pressure on the optical business or the wireline business going forward, we believe that we should be able to come back to the gross margin that we used to do historically. We have done a lot of efforts within the company in terms of cost reduction and renegotiation of prices, and we made a lot of progress on that. So hence I think going forward I think we should be able to see a positive margin trend during FY'24 on the optical business. I'll make a comment to you about the wireless business separately.

Venkatesh Gadiyar: Yes, thank you Sanjay. The balance sheet fund and the cash flow fund, we had for Q4 FY2023 our cash outflow from operations was about 133 crores, and the inventories went up to 647 crores from 494 crores as we had to secure some of the long lead components in anticipation of some expected orders that are required for a faster delivery. Since we have increased our inventory, and trade receivables have gone slightly up from 500 crores to 518 crores. We had collected about 287 crores during Q4.

And the net working capital has increased to 944 crores, and the cash and cash equivalents has gone up from 1,221 crores as of December 31, 2022 to 1,306 crores, and this includes rupees 300 crores receipt from Panatone towards the final subscription of Series B warrants during the quarter. And with this healthy cash position of 1,306 crores, we are now confident to execute larger orders and to scale up business in the going future.

Sanjay Nayak: Okay, thanks Venkatesh for running through the numbers. I'm again coming back to the slide FY23 sales update. This is a chart we've been using, and I'm sure some of you are familiar with this. So, the chart on the left-hand side is the breakup of our business from the three categories, which is India Government, India Private, and International, and the chart on the right-hand side is the corresponding number for FY23.

As you also know that we count the India Private and International as a run rate business, so on an absolute basis the run rate business of course has increased quite a bit, but percentage wise it was 83% in FY'22 whereas in FY'23 it's74%. Within the segments, India Government was 26% of total, and had a year-on-year growth of 158.2%, India Private was 50% of the total, and again had a very healthy year-on-year growth of 79.3%. International was 24% of the total, and year-on-year was only 8.5%.

If you recall in the earlier conversations during the year, we had also mentioned that international business for the year will be soft. The reason for that was twofold. Number one was there was intense focus from a delivery and execution angle and many other things within the stuff that we are seeing within India, because there was a very large set of opportunities opening up.

The second challenge for us is that when we win new customers internationally, they have expectations in terms of shorter delivery times, and given the inventory situation, we were not in a position to be able to commit to that. So winning customers and not being able to deliver would not have been a good strategy. So I think consciously we had a little bit of a diluted focus internationally, and I'll of course talk about what the game plan for FY24 is.

So, net-net, overall business grew heavily, each segment grew decent. At the end of the year, we have a 1934 crores backlog, out of which India has 1734 crores and international has around 200 crores. From the backlog that we have, we believe around 70% of the backlog would be executable for FY'24. And again, just to clarify, this backlog does not contain any of the larger wireless deals that are 4G deals that we are currently working on.

So going forward, how should we look at FY'24, we will continue to see very large growth opportunities in India, both with our optical products as well as the 4G and 5G products. This will give us two benefits. It will really help us expand our business volumes. So, we'll finally be getting economies of scale, which are of the global size.

And second benefit will be that in the wireless area, where we haven't had large footprints anywhere in the world, this gives us an opportunity to have a large anchor customer around which I think the kind of interest which we are getting from other global players or global customers has been very high. People are looking at our ability to execute this project well, which will open up a lot of doors in the Western markets that we talked about earlier.

On the optical side, which are, I would say, reasonably mature products, we will increase our international focus this year, and we believe with the supply chain situation getting better than what it was last year. We do expect that on an absolute basis, international revenues for the wireline business will grow quite healthily in FY'24, which again, you know, will be good. But on an overall percentage of business, assuming that the India business will be growing much, much faster, the percentage of international, as a percentage of total will be lower, while on an absolute basis it will be higher.

A little bit on the gross margin commentary for what we expect next year. I would say that on a percentage basis, the gross margin next year would continue to be lower than our average in the many past years. Optical or the Wireline margin will be almost back to what it was before. Wireless margin for the initial period of time, because we are going from low volumes to high volumes in the first year, we would see that margins will be reasonable, but not very high. So, on an overall basis, the percentage here will be lower, but that will be more than compensated by the much higher volume of business that we expect in FY'24. So, this will again result in improvement in both EBITDA as well as PAT from the current year to the next year level in a meaningful way.

Going to the next slide, this is again almost the same slide that you've seen in the past in terms of our product portfolio, where we have a very, very rich portfolio of products from optical transmission to FTTX, which is GPON and broadband access. And now we have, of course, got the 4G and 5G base stations. So, one other thing which I just wanted to call out, which you would have seen in the center, in a piece of the whole thing, center set of products, is that the carrier routing products, which was not something that we were shipping in large scale, we have now started doing quite well.

So, this opens up another front for us in terms of being able to address slightly higher percentage of the capex, which is the transport capex, whether it is in terms of optical transport or packet transport or packet routing for the service provider market that we should be able to get. And the BSNL deal that we had announced essentially gives us that good scale in terms of taking the product not just for one customer, but to many, many customers in a larger volume.

I will not go into the details of that, but just the comprehensiveness of our product portfolio gives us confidence that many of these products are now reaching a maturity which are of global quality, global scale in terms of technology. And now we are going to start taking those products, the optical and the wireline products for global markets, while the wireless products for this fiscal year will be focused more on the Indian side. And then once we reach maturity, we will start engaging with customers later part of this fiscal year to be able to create a larger revenue and pipeline for next fiscal year.

Coming back to my last slide, after which we will of course open it up for questions and answers. This is a key takeaway slide. I'm sure there's a lot of information we've passed. But if I were to kind of quickly summarize, we really closed FY'23 with the highest ever revenues and highest ever order book and bookings with four quarters of consecutive growth in terms of Quarter-on- Quarter and Year-on-Year.

So, the supply chain management issues, while I would not say are 100 percent behind us, but are under reasonable amount of control, there are still odd components which have long lead problems which we are continuing to monitor. But what directionally is very clear is that as the year progresses, the supply chain issues will be behind us and it will boil down to our ability to win a lot of business and then execute it well.

With a healthy order book of Rs 1934 crores and a good visibility of new orders in the pipeline, we expect to significantly accelerate our revenue growth in FY24 and beyond. We have scaled up our manufacturing capacity and are well geared to execute large orders, so I don't think that's going to be an issue. As long as we are able to get the orders and we are able to secure the components for which we have taken action, the manufacturing at quality and scale is not going to be a challenge.

And we are a technology-driven company. We always want to be ahead of the curve. We have in the traditional wireline products, we are state-of-the-art in almost everything that we do. In the wireless products, we've been catching up very, very fast and we want to make sure that in a short period of time, that is another area where we step up to the plate. And correspondingly, we have to increase our investments in R&D, supply chain, field support, and so on and so forth, basically to ensure that all the plans that we have are executed well.

And as Venkatesh mentioned, from a cash position, we have a healthy cash position. We have looked at the cash flow planning for executing larger orders, talked to the suppliers in terms of the right kind of payment terms and so on. And we are confident that without stressing our working capital in any undue way, we have the ability and wherewithal to execute and scale up the company to quite a large-sized business. And that's something that gives us a good amount of confidence in terms of the strength and the foundation that we have and the exciting future that lies ahead of us.

And that's really where I would stop and we will then maybe take questions. And if you can also address whom the question is for, we will direct it to the right person. Thank you.

Moderator: Thank you very much. The first question is from the line of Vimal Gohil from Alchemy Capital Management, Private Limited. Please go ahead.

Vimal Gohil: Yes, thank you for the opportunity. Firstly, Sanjay sir, thank you so much and best wishes for all your future endeavors. It has been a pleasure interacting with you. And I just take this opportunity to welcome Mr. Anand Athreya and also wishing him all the very best for your new role.

So my first question was on margins. You said that the gross margins for FY'24 would be lower as compared to what we have achieved for FY'23. But on the operating side, with all the investments that we have made in FY'23, would you expect some kind of operating because we are also expecting very, very large ramp up in revenues. So do you expect some of the gross margin pressure to be offset in operating margins?

And separately, what is the steady state margin after all the challenges in the wireless segment that you're seeing, after all the challenges are met with? What is the steady state margin that you see, gross margin do you see in the longer run for the business? Thanks. I have a few follow ups after that.

Sanjay Nayak: First of all, thank you, Vimal. Thank you for your kind words and I appreciate that. In terms of the basic question is that in terms of gross margins in next fiscal year compared to this fiscal year, so clearly what I said is that the volume advantage that we get, volume scale, will more than compensate on an EBITDA and PAT basis for the percentage reduction in gross margin.

And again, if I look at the gross margin percentage that we had this year, next year as I said, you know, optical, if I were to say what I meant is that if I look at the historical gross margin, we were at much higher level when we were doing wireline business alone, which would be probably around FY'18, FY'19, FY'17 kind of time period that we were there.

So I think at that stage, the gross margin that we had were around 38% to 40%, which is net of revenues and cost of material and manufacturing cost. So for the optical business, which is the business that we are also scaling up quite significantly as you would have seen this year and in the outlook for next year, we expect to reach almost similar to those levels, at least in the second half of FY24 and definitely in the following financial year (FY25).

The wireless business, which is the one which we are starting off, will have a relatively lower percentage of gross margins, but the volume economics will be such large that at the EBITDA level, I don't think there should be any dilution in that. So in that sense, I would say that if I were to look at the blended gross margins of the company, what it was this year, there's a likely chance that this year, I mean, it's the last fiscal year, there's a likely chance that this fiscal year, we should be similar level, a little bit up and down. When we look at the following fiscal year, which is FY25, clearly the optical margins would already be up there in terms of what was our historical average. And on the wireless margin, we will continue to see improvements as the initial volumes get replaced by steady state larger volumes.

Vimal Gohil: Right. Sir, on the revenue front, you have booked almost INR2000 crores worth of orders. Now given the fact that the order tenure is roughly one year, would you expect that the company would reach a similar run rate of about INR2,000 crores to INR2,200 crores in the next year? Would it be a fair assessment?

Sanjay Nayak: So I think we should look at our business under two buckets. One is the optical and the wireline business, which is, what I would say has been the product that we've been working for so many years. So the revenues this year, which is the FY23 revenues, almost all of it was the wireline revenues, right? And the new business that we have won is again almost of the current wireline products. So that business itself is literally, if you see growing 60% this year, backlog is really accelerating. And we also feel that that part of the business will continue to do well. And of course, there are opportunities to also scale that up on an international basis, which we did not have much traction last year.

On top of this, we will have the 4G and 5G wireless business, which has not yet started to play in. And as many of you are aware, we are working on some large deals in India, which we believe should are around the corner. And once they come in, that would be a completely different revenue stream and of a much larger size. So those two together, I think, give us a benefit where in the near-term, the wireline business will have almost steady state gross margin level. Wireless business will give us volume, but with a slightly lower margin. The blended thing will still give us very healthy outlook in terms of improving our EBITDA as well as profitability.

Vimal Gohil: Understood. If I may, one question for Mr. Anand Athreya. Sir, what really attracted you towards the Indian telecom equipment industry? And how is it that you plan to differentiate Tejas networks vis-a-vis very, very large global players which are currently operating as your peers? Thank you. That would be all from my side.

Anand Athreya: Thanks, Vimal. So I think what attracted me to Tejas, Tejas has been trailblazing for so many years. And as I said before, I think we are at an inflection point. This is India's decade, if not it's India's century. So I think there is tremendous growth opportunity to make stuff out of India for the world. And that's what excited me to come back and join Tejas.

I built the Juniper Network India facility to be a world-class center. So I think we can repeat a lot of that, take all the great work that Sanjay and team have done to a global level. So that's what gives me the excitement to come here.

Moderator: Thank you. The next question is from the line of Mukul Garg from Motilal Oswal Financial Services. Please go ahead.

Mukul Garg: Yes, thank you. First of all, Sanjay, thank you so much for your untiring effort for the last 23 years. I really miss our frequent chats on the telephone equipment space. And at the same time, Anand, welcome. Congratulations for taking over. Looking forward to interacting with you going forward and learning a lot about how to kind of take the company forward.

Two questions from my side. First question, I just want to get some sense from either you or a few in terms of the wind from BSNL on the carrier router side. Sanjay, while you mentioned a lot of areas for FY'24, I got a feeling that this is still as of now only BSNL type of thing which you guys are seeing for this year. How should we look at this, given that this will kind of open up almost a newer segment for you in terms of opportunity and replicability at more private or global level?

And the second question for Anand, Anand, as things stand right now, which are the key areas within Tejas which you would tap into first in terms of low hanging fruit to change the company or take it forward? And how do you see opportunities for the company kind of develop over the next three to five years? Thank you.

Sanjay Nayak: So let me answer the first one and then I'll ask Anand to answer the second one. So really, if you see the one thing which has worked well for Tejas over the years and actually for most companies of our kind in the world, no matter where you're located, is that you develop pieces of new technology or enhance your products with new capabilities. And you need to get one large anchor customer to kind of take your really good product, which is at low volumes, into a mature product which can be built at high volumes at scale and then of course it reduces the cost.

It allows you to spend more money on R&D to complete the feature set to a complete angle. So that is a recipe, if you see, we followed for many products like FTTX. Our first customer was BharatNet. And then we of course replicated that success across many others. Same thing for wireless. We believe that we'll have one large anchor customer and replicate that success once we mature and build the technology.

In that sense, clearly, when I mentioned earlier, that if you look at the optical transport part of the business, and by the way, just to give you the sense of scale, the optical transport and FTTX are together as a segment worldwide is almost the same size as 4G and 5G base station size. So I think we have products in that area which are quite mature, but the nature of what goes into transport continues to evolve.

So for example, earlier it used to be only TDM kind of stuff, then we had packet and we have WDM, now there's packet and WDM, then there's a lot of routing technology which is coming in because what is moving around is packet. So I think it was important for us to incorporate all of those technologies into our products, or rather include all those technologies into our products, which we have. So in that sense, the clear direction and the strategy is that you scale the product, you make it very, very feature-rich, and not just for one customer, but for all the customers.

I mean, as a product company, we definitely don't make products for one company. We kind of had already doing, selling this in lower volumes in smaller operators, but once you've got a large-size deal, it really helps us scale up and go after much, much larger customers around the world. For the second part, in terms of low-hanging fruits and stuff, Anand, you can focus on all the – you've just been in the company three weeks now, but take a stab.

Anand Atherya: Sure. Thanks, Sanjay. So, Mukul, my first focus is to ensure that we deliver on the optical business. It is very stable, and then we have enough orders to go fulfill, so ensure that supply chain and manufacturing are all aligned to deliver. That's number one. The second is to ensure that we deliver on the wireless, so there's 4G and 5G. So that's been my initial focus. Then working with Sanjay and team here on how do we evolve strategy, so there's a lot of discussions happening, and I think it's not going to be disruptive, but it's going to be evolutionary to make this into a global telecom and networking company.

Mukul Garg: Understood. Thanks for answering my question, and I'm looking forward to interacting going forward. Thank you.

Moderator: Thank you. The next question is from the line of B Suresh from Burram's Financials. Please go ahead.

B Suresh: Good evening, sir. I'm giving the opportunity. Welcome for a new CEO. Sir, one question, sir, a small question. Yes. So, you are marketing in exhibitions, conducting in USA, so WiFi products, optical products, and go for another company I see in the Twitter, Valiant Communications, is a cybersecurity product. This product is, it does have Valiant. How do they bring the sharing of that product sir?

Sanjay Nayak: So, we do use some of Valiant products, for example, as a partner in some of the power sector kind of a thing where they take some of our products and complete the solution and vice versa. In that sense, I think, we try to work with adjacent players in case a solution is required and that's the context in which it happens.

But from our perspective, we don't, you know, rebrand anybody's product. We always sell our own products. And at times, you know, in the past as well, we have had some of the global players, take our products and, you know, we are OEM suppliers to them.

B Suresh: That product, you get revenue, sharing, any sharing revenue?

Sanjay Nayak: No, I think if we sell our products, anybody else for that matter could just be a reseller. So, I don't think there's any revenue share perspective. I mean, we own all the products that we have and sometimes it could be a reseller relationship, sometimes it could be a channel, sometimes it could be co-selling. So that's the way usually it works out.

B Suresh: That company, Saankhya type of, you can, you are a subsidiary or not? You are not any, you are a future merger with the company?

Sanjay Nayak: Yes, Saankhya labs is a subsidiary of Tejas. We own around 65% of the company and the remaining 35%, our intent is to complete ownership of 100% of Saankhya labs. And that would be done through a merger process that we have triggered. We expect in the next few quarters, the merger process to get over. So operationally, we are working extremely closely with Saankhya already. But from a legal entity perspective, the 65% ownership will go to 100% ownership as a part of the merger process which goes through the NCLT and all the usual approval cycles.

B Suresh: Any small stake in Valiant sir, you are having? Tejas having?

Sanjay Nayak: No, we don't have any such stakes.

B Suresh: In future, you can take that product in future in acquiring that brand?

Sanjay Nayak: Yes, I mean, if we do anything ever, we will definitely inform everybody. But at this stage, we are not doing anything like that. I mean, we are really focusing on developing our own products. And we have a fairly significant focus in terms of the opportunities at hand, which is what we are laser focused to execute. So, in that sense, from our perspective, we have a lot on our plate and we need to make sure that we do a good job fulfilling that.

B Suresh: The other product is a channel partner company. Are products actually you are any further your big orders coming?

Sanjay Nayak: Yes, we can talk to them. Just in the spirit of other people on the call may have a question, what I request you that offline, you can work through Santosh and we can address a lot of your questions giving some opportunities to others to also ask the questions.

B Suresh: Okay, thank you. Thank you.

Moderator: We have the next question from the line of Vivek Namasivayam, an individual investor. Please go ahead.

Vivek Namasivayam: Yes, thank you. The question is around the private or the corporate market in India. You're making a lot of strides in the government side, but on the private, do you think there will be a similar impact on a call to some of the large projects that you're working on in the private sector and thereby see holistic growth for your company? Thank you.

Sanjay Nayak: No, good question. First of all, if you see our numbers, I think the private grew quite healthily last year from around 50 -- almost close to 80%. So, if I were to look at again, I would divide the problem into two. For the optical products and the FTTX products, we do see good momentum already in the private sector. Clearly, we can do better. I think some of the supply chain issues held us back because many of these are run rate customers and only after you complete the previous order that you kind of get the next order. So, I would say that on the existing wire line, which is optical and FTTX products, we will continue to see good traction in the private accounts in India.

The wireless products, which is a new product that is coming out in terms of scale, our initial focus will be to kind of get maybe one anchor customer. But we are very confident that as the product, -- reaches the right amount of maturity in terms of supply chain, processes, systems, technology, and so on, we will be able to have opportunities with private players in India, at least, -- a few private players in India, I wouldn't say all of them, for the wireless portion specifically, where they are closely watching what we are doing.

We haven't had the opportunity to get into deeper engagements just because of our focus today, but as the year progresses, maybe Q3, Q4 of the year, almost like Q4 of the year, we think there could be engagements with the private operator. And eventually, we have good reasons to believe that even on the wireless side, we should start getting some breaks into private operators because they are closely watching all the stuff that we're doing.

Moderator: The next question is from the line of Hiran Kumar Thakurlal Desai, an individual investor. Please go ahead.

Hiran Thakurlal Desai: Yes. So first of all, I would like to give a big thanks to Sanjay, who has navigated the SIP for 23 years, and I have seen him from those quarters. A big thanks to Sanjay. And I wish him well for the future. And welcome to Anand. One of the questions is just a clarification. Last quarter, there was an announcement of we've being L1 in one of the BSNL backhaul projects. I just want to get a clarification whether that is same as the INR696 crores router order that you announced, or is it different?

Sanjay Nayak: Thanks, Hiran. First of all, thanks for your kind words. Good to talk to you again. Yes, it is the same order. Last quarter, since we had not physically got the order in our hand, but we were declared L1, it was not appropriate for us to specifically call out the customer. But as soon as we got the order, we did announce. Yes, it is the same order, which is the backhaul order for the BSNL pan India rollout. Yes.

Hiran Thakurlal Desai: The second thing is, I mean, we have been getting reports about the 4G being deployed in a few locations. So, is there anything which is sort of holding up the final order? I'm sure you will announce once you get it.

Sanjay Nayak: Yes. You know, all these things, the way it works is I think we have done everything from our side that needed to be done in terms of techno commercial, even now demonstrating adequate capacity to produce in time and deliver and rollout, etc., etc. But given the scale size of these things, they do take their time in their own process. We believe those things should come to a fruition soon. I'm reading the same newspaper that you do. And I believe things should happen sooner than later.

Hiran Thakurlal Desai: Okay. Okay. Thanks. And all the best to Sanjay and Anand both. Yes. Thanks.

Moderator: The next question is from the line of Vimal Gohil from Alchemy Capital Management Private Limited. Please go ahead.

Vimal Gohil: Yes. Just one clarification. This is in conjunction with the previous question on the BSNL order. So as per press, this is supposed to be a 26,000-crore order. So, would my assumption be correct if I would say that this 696 crore is for a period of one, one or one and a half years? Because if you look at the tenure of order, it is an order for about 10 odd years. So of course, our project will go on for about two, two and a half years or maybe three years at least until we sort of supply almost all of the equipment. So, the 696 crores will be for the next one or one and a half year, right? Or is it the total order size?

Sanjay Nayak: Let me clarify. There's a little bit of a confusion which might have inadvertently prompted. So, the 696-crore order is for our optical products, which is the wireline products, which -- if you want to think from a simplistic angle, this is the stuff we've been doing for the last many, many years, right? Except it's of course, new technology and all of that stuff. So, this is an order which will get executed pretty much -- in almost in this fiscal year and some of the residue might go into a quarter of next fiscal year, but almost let's say in the next 12 months. So, this is one step which is different. The other order that, you mentioned some numbers and all that, which is for the 4G, which is for the wireless rollout, which is the pan India rollout. Even that project, a significant part will be rolled out in the next 24. First of all, these are two different projects. So, the one which I talked about is a different project. It's a separate deal. It's over.

The next one will be the 4G rollout, which will be the pan India rollout. That would again, once the order comes, has to be completed within a period of two years. In that sense, the revenue intensity that will grow for the company, starting from this fiscal year and next fiscal year, and which is what I alluded to when I mentioned earlier on that, I see significant revenue momentum for the next two fiscal years, which is this and next year, already in place. So, in that sense, a large part of the wireless rollout will also be completed between this and next fiscal year.

And that is why, I overemphasized in terms of our preparedness of manufacturing capacity, rollout, technology, supply chain, cash flows because for a company which is just going to have a potentially exponential growth this and next year, we needed to be ready on our accounts. So these are just 2 different projects and the time line for execution will be much shorter than what we are thinking.

The AMC portion, which is maintenance and support contracts will run over for many years include -- what you said is for 10 years, but the majority of the supply will be completed in the -- for the first order in this year itself, which is the wireless order -- a wireline order, and the wireless order also will be completed over a period of 24 months.

Vimal Gohil Understood, sir. So these are 2 separate orders, the one which you have reported in your press release and the one which has been spoken in the media are 2 separate ones?

Sanjay Nayak: Absolutely.

Moderator: We have the next question from the line of Narasimha Murthy from CloudOrange Systems.

Narasimha Murthy: My question is what the status of BSNL receivables because in one of the interviews, sometime back, you said it would be materialized in the current financial year 2023? Thank you.

Sanjay Nayak: So, we have received a significant amount of receivables from BSNL, Venkatesh can dig out the numbers. But -- so many of the stuff from older products, which was stuck in receivables has actually come during the year. And actually, the receivable from BSNL reduced quite a bit during the year. So in that sense, whatever we had told earlier has actually happened.

Some of the ECL provisioning, which has been reversed, is on account of the collections that we have made during the fiscal year. During the year, I would say, lot of the older collections have come in. There's still some residual left, but we are very confident that, that will come in as well. And again, I think on an overall life cycle basis for the company, our collection track record has been extremely good and we've hardly had situations where we haven't collected from the customers.

So even though the BSNL thing, it did take a little bit longer than what we would have ideally liked it to be, but a lot of that collection is coming.

Moderator: The next question is from the line of Yadhaw, an individual investor. Please go ahead.

Yadhaw: Hi, thanks for taking my question. So my first question is around the margin. So, in the call previously, it was told that one of the major reasons why we posted loss was because a few of our contracts were basically fixed contracts, as in the price of input materials went up, but we were not able to pass it on to the customer. So, I just want to know the major orders which we are winning now, what kind of contracts is it having? Is it a fixed contract or will it be variable?

Sanjay Nayak: So the good news is that a lot of the business that -- once we saw the trend of costs increasing during FY

'22 and FY '23, we, of course, any new bid which we put in or any new rate contracts that we signed with the customer was already incorporating the increased costs. In that sense, a lot of the new business that we have won already accounts for the appropriate increase in the component costs.

So the confidence that we mentioned that -- so that's one part. The second part was that we also have done a lot of work using our larger buying power, if I were to say, based on the projected volume of business that we see in the next couple of years, to go back to many of our suppliers and renegotiate the pricing to a much more competitive level than we ever got before.

So the combination of those 2 things, which is all the new bids were done at a price where we were comfortable with the margins and being able to do significant cost reduction in our products to be able to recover the margins that we potentially lost because of cost increase gives us the confidence that at least in the optical and the wireline business starting from Q2 onwards, which would almost be back to our healthy margin that we were there before.

As far as the wireless business, again, is concerned, when we bid and the price that we have closed with the large order already accounted for the current costs. In that sense, we are quite aware of the costs and even in the wider stock, but we are also cognizant of the exchange rates that has happened, and we have factored all of that into account, pricing the bid. And this is which we have confidence again that the volumes will be more than compensating with the -- in terms of the percentage gross margins. So that on the overall basis, I think the EBITDA impact will continue to show healthy growth on a year-on-year basis.

Yadhaw: Okay. I have one last question. So out of this, the order book of INR1,900-odd crores there is -- does the BSNL -- I mean, does the Tejas- TCS joint implementation for BSNL 4G, is that also accounted or is that...

Sanjay Nayak: No. There was a very small portion of about 200 sites, which we had done through a consortium or partner. But that's almost insignificant in the total value of the order. So, the order book that we report is always physical POs that we have got, not tenders that we have won or will be likely to win or rate contracts that continue to give us new business.

Yadhaw: Okay. Thank you very much. Wishing you a very happy retirement.

Moderator: The next question is from the line of Naveen Bothra from Subh Labh Research. Please go ahead.

Naveen Bothra: Good evening Sanjay Sir, good evening Anand, sir, welcome you to Tejas and being CEO Designate. Sanjay ji, we'll miss you very much since you founded the company, and we have lot of emotions with you. Wish you all the very well. Sir, my question is from the Saankhya side. I would like to have a couple of questions regarding the merger integration status if you can say that -- because we are not hearing much on this side. If you can briefly tell us what is the current status?

And from the second, the offerings of Saankhya side, what are the status response we are getting on the D2M side. We are presently doing in India as well as in international markets regarding D2M and ATSC 3.0 technology. If you can talk about the status of all the Saankhya product, it will be helpful, sir.

Sanjay Nayak: Thank you, Naveen. First of all, nice to talk to you again. In terms of the merger status of Saankhya, we've got all the approvals from the stock exchanges, and now we have filed it with SEBI. And I think as soon as we get all the clearances, we will take into NCLT. So I would say, over the next few quarters, likely maybe by the end of this fiscal year or thereabouts, the merger process for the remaining 35% share will be completed.

Coming back to the second question in terms of the focus of Saankhya and how that business progressing including D2M, you rightly said that there are 3 segments which -- so I just wanted to call out that a lot of the 5G efforts in terms of the radio work, which was happening in Saankhya, that team, we have already transferred to Tejas as on 1st October. And in fact part of the Tejas financials already include the additional cost of that deal, which is what I mentioned in terms of increasing the -- a lot of the cost for this fiscal year.

The second thing is the broadcast business, which is D2M is one part in India and in US, there are other opportunities that we are working on. So the broadcast aspect of 5G, which has a lot of very interesting applications, there is a lot of traction happening. And this financial year, we believe that we should start seeing meaningful revenues from that part of the business of Saankhya as well.

Secondly, you also talked about the chip business of Saankhya. So I think Saankhya has applied for the chip development project, which is going on in the company as a part of the semiconductor DLI scheme and TTDF scheme so that we can also get the support from there. So the broadcast part of the business is going to get into a reasonable revenue stream in this fiscal year. There's satellite, which is SATCOM business, which is also was smallish last year, but we see some very interesting large opportunities in terms of the satellite IoT product that they have, which should be getting into larger volumes this year.

The chip development would be a development effort from an R&D perspective this year and it will be some time in terms of -- when it gets into production in terms of the external revenues, etcetera. That I would say, would be the status of the things in Saankhya. We are excited about all the good work happening there. And of course, it was important to realign the resources as well as the directions in the best interests of the combined companies, which is what we have essentially done.

Naveen Bothra: Okay. Thank you…

Sanjay Nayak: Moderator, since we are almost to the end of the hour, we can take maybe last 1 or 2 questions.

Moderator: We will take the last question from the line of Godwin S Fernandez from Hyra Placements. Please go ahead.

Godwin Fernandez: Thanks for taking my question. Sir, I was looking into the presentation, your employee count has gone dramatically high. I just wanted to know what makes you to hire these much of employees on a year to year, whether you're finding any difficulty for this technology or if you can kindly put up the thought process behind such huge recruitments are being made?

Sanjay Nayak: So first of all, Godwin, I must tell you that as a product company today, we are focusing on many different technologies, on the optical transmission technology, on the FTTH technology and now on the 4G and 5G base stations. And if you look, relatively speaking, there's a lot of efficiency of execution and how we do things in a very clever way within Tejas compared to the corresponding global competitors of ours possibly at 10x our size, if not more.

The reason we are able to do a lot more with lot less is because of the way we have defined our architecture in terms of software-defined hardware architecture where everything is on an incremental basis. We are able to do a lot of design reuse. We're able to really use the same thing in many, many different forms and shapes. So I think in that sense, the headcount increase, in my mind, is something that will continue to grow and accelerate because if we're going to be aspiring to become one of the top global OEMs, we have to become a top tier in terms of R&D, in terms of new technology investments and so on.

In that sense, I think, the hiring will continue, and we will really continue to scale up that. The second part, which I think partly you asked was also that how do we get such people. as a product company, I think we have two streams. We have set up for the entry level or junior level 0 to 2, 3 years. We have set up something called Tejas Academy, which is think of it as a boot camp for taking extremely bright people, who may or may not have the exact direct relevant exposure into the things we do.

But over a period of 3 to 6 months, we give them through a boot camp, which makes sure that when they come out of Tejas Academy, which is the in-house academy, they can really be very productive directly on the project. And in the middle and senior level, I think with the kind of aspiration we have, the kind of success we are seeing, I'm actually very happy to say some of our global competitors are also quite commending the work that Tejas has been able to do in developing new products, get things to scale, get things to global levels in such a short period of time.

So we do see there's a lot of, I would say, interest from -- in the mid and senior level talent working at least in India, in many of our competitors companies to potentially find a way that we can engage. So overall, I would say, we are seeing a very interesting funnel of new talent coming into the company. We have the -- now with the revenue scaling up and profitability scaling up, we have the slack available to invest the right amount of dollars or rupees into the R&D effort so that as a technology company, not only should we increase revenues and profitability in the near term, but also invest to make sure that on a long-term basis, we are really coming out tops in whatever things we do. In that sense, I think manpower is our most important asset, and we'll continue to grow in that.

Godwin Fernandez: Thank you very much sir.

Moderator: I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Sanjay Nayak: Thank you again. I think we had a very interesting set of questions, and we all summarized it in terms of where the company is today. We have come a long way in the last 23 years. The companies that in every dimension, I think we have really scaled very good level. The foundation, I believe, is rock solid. We are very well geared up in terms of the exciting opportunities that lie ahead of us.

There's a lot of continuity in terms of the team as well as the thought process and the aspirations. And -- I mean I'm very happy and confident that as I look forward to my retirement, the company is in the best possible shape and we really do look forward to a very, very exciting times ahead. And again, I want to thank all of you with whom I have interacted many, many times and we look forward to continued success for our company. And thank you again, and thank you very much.

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