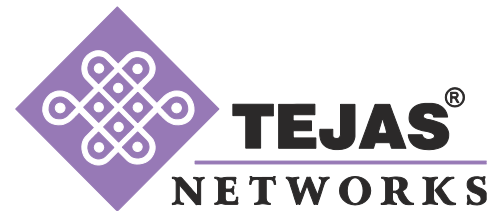


Tejas Networks Ltd.

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May 02, 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,
Mumbai - 400 001
BSE Scrip Code: 540595

Dear Sir/Madam,

Re: Q4 FY25 Earnings Conference Call – Transcript

Please find enclosed the transcripts of the Q4 FY25 Earnings Conference Call held on April 25, 2025.

This is for your kind information and record.

Yours sincerely
For Tejas Networks Limited

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



“Tejas Networks Limited
Q4 FY'25 Earnings Conference Call”

April 25, 2025



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

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

Moderator: Ladies and gentlemen, good day and welcome to Q4 FY25 Earnings Conference Call of Tejas Networks Limited, hosted by ICICI Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your 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 us on Tejas Networks Limited Q4 FY'25 Results Conference Call. We have Tejas Networks Management on the call, represented by; Mr. Anand Athreya, CEO and Managing Director; Mr. Arnob Roy, CEO and Whole-Time Director; Mr. Sumit Dhingra, CFO and Dr. Kumar N. Sivarajan, CTO.

I would like to invite Mr. Anand Athreya to initiate with opening remarks, post which we will have a Q&A session. Over to you, sir.

Anand Athreya: Thanks, Mohit. Good evening, everyone. So thanks for joining the Q4FY25 Earnings Call. I'm here with Arnob, Kumar and Sumit in this room. So I would like to give you a very key update. The first one is, as of yesterday your company completed 25 years. It was incorporated on April 24, 2000. So I have the Founders here, Kumar Sivarajan, Arnob Roy and Sanjay Nayak, who was our previous CEO. I want to thank them and congratulate them on this fantastic milestone. Thank you, guys.

So one key important update I would like to give you is that, we shipped 100,000 sites on the BSNL 4G project, that's something that we were on for the last one and a half to two years. So that it's a great milestone that we have accomplished as of last quarter.

In terms of revenue, Q4, we landed up at INR1,907 crores. It was 1.4x year-over-year. And for the financial year, FY25, we hit INR8,923 crores, which is more than \$1 billion and it's 3.6x year-over-year. In terms of profit after tax, we were negative INR72 crores for Q4FY25 and FY25 profit after tax, we ended up at INR447 crores. The order book at the end of Q4 was INR1,019 crores.

And some of the key business highlights is, as I just said, we shipped close to more than 100,000 sites for the BSNL 4G/5G network. This is one of the largest single-vendor RAN network in the world ever delivered in record time. So I think I'm very proud of the team and also the consortium of TCS, C-DoT and also our customer BSNL for actually helping us make this happen.

We also signed a very strategic technology collaboration agreement with NEC Corporation Japan. And this is for the development of advanced wireless technologies, RAN technologies, and also the Core and EPC and also a joint go-to-market. So as two companies, we can take it to our customers.

We also have had several key wins for our leading-edge optical platforms, both on the PTN and FTTX, mobile backhaul and also for broadband services and power utility networks. And we also are expanding our sales footprint in Americas and EMEA and ANZ.

In terms of corporate update, on the occasion of 25 years completion of registering the Tejas Networks, and considering the performance of the company in the last fiscal year, the Board has recommended a dividend of 25%, which turns out to be INR2.5 per share, subject to the approval of the shareholders. We also received around INR123 crores of PLI incentives for FY24 and the first tranche of INR189 crores for FY25. We won the best mobile technology breakthrough award from ET Telecom recently.

From a summary point of view, I'm really proud of what Tejas has accomplished. In fact, this is the largest revenue that we've had in 25 years and it's a major milestone and a big number. So I want to thank our shareholders, our investors and also our employees and our customers for helping us achieve this fantastic milestone.

I'll hand it over to Sumit, who will go through the financials and other details. Thank you.

Sumit Dhingra:

Thanks, Anand. Good evening, everyone. For the financial year FY25, we had revenues of INR8,923 crores, EBIT of INR905 crores, profit before tax of INR698 crores, and PAT of INR447 crores.

Looking at the fourth quarter, the revenues were INR1,907 crores which is 1.4x year-on-year. EBIT for the quarter was INR18 crores and PBT of negative INR45 crores. The profitability for the quarter and to that extent the full year is partly impacted because of the provisions for inventory obsolescence and write-down of about INR117 crores that we did in this quarter, Q4. The number for the full year was INR181 crores. We also wrote off certain expenses related to intangible assets under development during the quarter, so that suppressed the profitability for the quarter.

Moving to the key financial indicators, inventory at the end of the quarter stood at INR2,367 crores. This will get converted to finished goods and get shipped over the next few quarters. Trade receivables at the end of the quarter stood at INR4,884 crores. The increase is mainly because we had higher shipments, particularly for the BSNL 4G project during the quarter.

We collected about INR1,900 crores during the quarter and we expect to make further collections over these receivables over the next few quarters as the milestones get completed. Cash position at the end of the quarter was INR827 crores and borrowings of INR3,269 crores, implying a net debt of about INR2,442 crores.

I will hand it over to Arnob to take over the business update.

Arnob Roy:

Thanks, Sumit. I just wanted to add a little bit of color to the business of FY25 and the upcoming year. So for FY25, the revenue mix was the following. Indian government was 3% of our overall revenue. This is a year-over-year decline of 66% and that's primarily because, as you're all aware, the Indian government business is very tender-driven and depending on the timeline of the tender and the timeline of the execution of the tender i.e., depending on the particular time and the quarter and the financial year in which they get executed, this part of the business tends to be very lumpy.

India Private grew significantly and had the dominant share. Of course, as we have mentioned earlier, our BSNL 4G shipments through TCS is considered as part of the India Private business. But apart from that, I think we saw a good amount of growth of our wireline business in the India Private segment among the private mobile operators.

International business had a year-over-year increase of 18%. In the overall scheme of things, it's still a small number. It was like 3% of our overall business. It was driven mainly through key shipments to the US, Africa, South Asia, both our existing customers, and a few new strategic logos as well. We closed the year with an order backlog of INR1,019 crores, where INR900 crores plus of that was from India and INR100 crores plus from International.

Moving on to FY26, as you can make out FY25 was a milestone year for us in terms of our revenues and was driven by the large BSNL 4G project. So obviously, FY26 will be different in terms of revenue, revenue profile, and so on. And our business of FY26 has to be seen in the perspective of the revenues of the previous years, such as FY24.

So, the good thing is that our portfolio got expanded significantly in FY25 and has increased our addressable market. During the year, we invested significantly in R&D and sales to support the development and execute on the roadmap for our products, especially in wireless where we have significantly enhanced our product offerings. So, now we support 5G over multiple bands, and that gives us a really good opportunity to upgrade 4G networks, not only in India but worldwide. We enhanced our portfolio with advanced 5G Massive MIMO Radios. Moreover, we have now a portfolio of not only our own 5G radios, but also the ones available through our partnership with NEC. We will be able to leverage some of the advanced beamforming technologies to support more sophisticated and advanced features in our radios as well. We also acquired a field-proven 4G-5G Mobile Core, through the NEC partnership.

A lot of future development in the Core is going to happen with the baseline of this core software, which has seen a lot of international deployments. We also expanded our IP and wireless router family. As you know, we deployed a very large network in the BSNL network for the 4G-5G backhaul.

And over the year, we completed the commissioning of that network, which is carrying a significant amount of their mobile traffic as well as their broadband services. We also added to the family an additional set of products, both in the modular as well as fixed platforms.

We enhanced our optical portfolio from 400Gbps to 800Gbps and 1.2Tbps per channel DWDM systems. This is kind of absolute state-of-the art in terms of what's available across the world. And with this, it puts us in the league of leaders in the optical networking space. We also enhanced our FTTH portfolio with XGS-PON or basically the 10GPON products and shipped a few initial customer orders. And with this, we expect to see a lot more traction coming for our 10GPON products internationally. Apart from that, I think the markets for our product segments, all the product segments, as you know, we have a wireless product segment with a RAN and Core. And in the wireline segment, we have products for Routing and Switching, FTTH or fixed-line broadband services, and for Optical Networking including Packet-Optical and WDM transmission. These are the three product lines in wireline. And all of those product segments are projected to

grow globally, not only in India, but also in the international market. That gives us a great opportunity, especially with the expansion and the maturing of our existing products.

The domestic opportunity pipeline that we have includes large projects in the government sector, which we have discussed before. Many of them are in a very advanced stage of negotiations and hope to continue for the next one or two quarters. We've had several new customers and new application wins in both private and government sectors, many of which we announced during the year.

And we have deployed, executed these projects very successfully. And those businesses, we expect to expand in FY26. We had a significant event in terms of the partnership with NEC, which not only gives us access to advanced technologies, but also access to global customers, which includes NEC's existing and prospective customers, which helps us in joint go-to-market opportunities with NEC. So we expect our international wireless business to get a significant boost with this partnership.

We also invested in expanding our global sales footprint. So we set up more offices in Southeast Asia, in ANZ, and expanded our sales operations in the Americas. And on the back of a few strategic wins in those markets, we believe we have a strong momentum for increasing our international business in FY26. So that concludes our presentation of the results of Q4 and the outlook for FY26. And we'd like to open up the floor for questions.

- Moderator:** We have our first question from the line of Vimal Gohil from Alchemy Capital Management.
- Vimal Gohil:** Firstly, a question for Sumit sir. Sumit sir, on this inventory, obsolescence, and various other write-downs of intangibles, which is amounting to roughly INR140 crores, in this case is there any spillover expected in FY26?
- Sumit Dhingra:** I think evaluation of inventory for obsolescence, write-down, etcetera, or even charging of certain expenses, is an ongoing evaluation that the company does every quarter whenever we offer our results. So that, in various shapes and forms, it keeps on getting evaluated. I think as we completed this project and we were coming towards the end of this year, this initiative was taken and we took these obsolescence and write-downs and provisions.
- It's an ongoing exercise, so there'll always be certain provisions that we'll continue to make every quarter. But this is also sort of a one-time significant effort that we have put in at the end of this large project.
- Vimal Gohil:** So basically what you mean is there can be, these provisions will happen, but the magnitude may not be as large as this one?
- Sumit Dhingra:** Yes, inventory evaluation is a regular ongoing exercise, on a quarterly basis, that any organization would do.
- Arnob Roy:** This is Arnob. I'd like to add that, you know, given the nature of our business and being a product company, we have to continuously invest in newer products in anticipation of technology changes or building in newer innovations in our products. And all of them don't often come to commercial

fruition.

So from that point of view, I think this is expected that some amount of our effort that we put in or the investment that we put in, may sometimes be needed to be written off for inventory which is out there, which is not sellable.

So it is the nature of our business, given that we are a product company. And as Sumit said, we do this determination at the end of every quarter and every year to see what kind of provisions we need to do.

Vimal Gohil:

Sir, is there a chance that this particular quarter, because we finished a large contract, a mega-sized contract, is there a chance that this particular quarter, the expenses would have been particularly higher? Because I would have imagined that this kind of a provision would have been scattered over four quarters or maybe more, or over the year rather, which has happened in one single quarter almost. So how should we look at this?

I mean, INR140 crores, of course, it will depend on how much is expensed out or what is the kind of revenue we build for FY26. But my point is that if we continue to have such large provisions going forward, it is going to hamper our profitability when we are entering FY26 at a significantly lower revenue base.

Sumit Dhingra:

I think typically at the end of the year, always this exercise is undertaken. And given that this is one of the large provisions that we've taken, we wouldn't expect such large numbers going forward. I think progressively as we continue, normal provisions will continue to happen. So to some extent, I can say that this is a one-time initiative.

Vimal Gohil:

Fair enough. So the next question is, I need a bid on four specific contracts that we've consistently spoken about in our previous calls. One is on the follow-up contract from BSNL for 4G and 5G. The second one is on the VIL order win that we had last quarter. The third one is on Rail Kavach. And the fourth one is on BharatNet. If we can briefly touch upon each of these, where are we in terms of either tender or execution?

Arnob Roy:

Yes. So for the add-on on BSNL, I think we are in advanced stage of discussions and will hopefully close in this quarter. But as you can see, these opportunities often take time beyond what you can plan for.

Regarding VIL, we won that last year. We did our shipments for Phase 1 and successfully executed the project. We got an add-on business as well. And that business is expanding and we hope to expand that business going forward in FY26 as well, as their networks expand.

Rail Kavach, I think the tender is getting delayed. We've completed our POC successfully. But I think they are taking more time for issuance of the tender and finalizing the specifications. BharatNet, as you know, in most of the circles, the SIs have been assigned the tender. Many of them have the POs and there are ongoing discussions with the system integrators on the particulars of the products and the quantities that will be shipped.

They are also in the part of the OEM selection process and finalizing the quantities. So we are

again at a very advanced stage of discussions with them. And this is also something that we hope to close in this quarter.

Vimal Gohil: Fair enough. Arnob sir, in your commentary, in your notes, you mentioned that FY26 will have a different kind of a revenue structure, which is understandable coming from this kind of a base. However, for FY24, we had closed the year at a revenue growth of close to INR2,500 crores. With an order book of a INR1,000 crores, how do we expect to beat INR2,500 crores in FY26?

Arnob Roy: Well, as you know, we don't give revenue guidance. But if you look at our opening backlog and the business pipeline that is in front of us, I want to give you a flavor of that, both in terms of the large projects as well as the run rate projects from the private sector.

If you look at all of that, I think there is a very good opportunity of having a pretty significant business in FY26 as well. And there is a good amount of business pipeline built out there. And especially with our expanded set of products, I think we are looking at FY26 very positively.

Vimal Gohil: And sir, just one clarification on what you mentioned here. Some of the orders that you got are expected to execute for the newer products. Will it be fair to say that this will be a bit more short cycle in nature as compared to what we've done for BSNL? Some of the order intake which will come within FY26 will get executed within FY26 and which is why the order book for Q4 may not give you a correct picture of what is to come in FY26. There could be a positive surprise.

Arnob Roy: Let me put it this way without getting into any specific guidelines. I think most of the opportunities that I talked about, we do expect them to close and a large part of them getting executed in FY '26. Of course, in the case of the larger orders, there will be some overflow onto FY '27 also, but a significant part of the opportunities we expect to get completed in FY '26.

Vimal Gohil: Just one last data point, if you can help me with the number of employees that will be closed in FY '25 and the employee cost which is capitalized this year.

Sumit Dhingra: Roughly around 2,370 employees at the end of the year. Sorry, what was the other question?

Vimal Gohil: Sir, your employee cost that is capitalized this year? Last year it was around INR250-odd crores.

Sumit Dhingra: Yes, so about INR289 crores of cost was capitalized.

Moderator: We have our next question from the line of Akash Mehta from Canara HSBC Life. Please go ahead.

Akash Mehta: So my question is, I mean, in continuation to the previous participant. So just wanted to understand in terms of the order book, which is at about INR1,019 crores, we are expecting. So what kind of addition we are expecting from the major projects that are there in terms of Rail Coverage, the Vodafone Idea One, additional BSNL and BharatNet and other projects that we could see over the next, I mean, getting executed probably over the next couple of years. If you could just help with that.

Arnob Roy: Yes, I think we don't share specific numbers with respect to each and every deal. And many of them are yet to materialize. We are very close. Since we don't give specific numbers, it is very hard

to say what FY '26 is going to look like and what are the numbers that we are expecting from them. But as you know the sizes of the projects and the opportunities you can probably make an estimate about those. And we look forward to a fairly successful FY '26, but not comparing it with FY '25.

Akash Mehta: But any broad, I mean, if you could just help us with any broad opportunity size from that perspective, that would be kind of helpful. I mean, not guidance in terms of revenue, but what you are internally targeting in terms of these projects.

Arnob Roy: No, I don't have any specific numbers to share for any of them. I mean, each of those large opportunities of BharatNet and the BSNL add-on and others are like several hundred crores and some of them upwards of a thousand crores also. But beyond that, I don't have any specific number to share for each of them. But these are large opportunities.

Akash Mehta: Understood. Fair enough. And second is on you mentioning that there are certain large projects in government sector that could come through in the next couple of quarters. So can you help us in terms of what kind of projects this could be?

Arnob Roy: Yes, so those are the ones that I think Vimal was referring to, the add-on BSNL, the Railway Kavach project, BharatNet and so on, both at the central and the state level. So each of these opportunities is fairly large. Some of them are several hundred crores, some of them are several thousand crores as well. So those are the large projects where we are hoping to win a significant share of.

Moderator: We have our next question from the line of Manish Oswal from Nirmal Bank Securities.

Manish Oswal: I have a slightly longer-term question. From last couple of years, we have expanded capability, product basket and the geography and we have built teams in different markets also. And you said in FY '26 outlook, our addressable market is expanding. So if we take a three to five-year view on the business, where the size of opportunity -- can you quantify the size of opportunity which we are targeting to capture or participate in?

And secondly, in terms of performance evaluation internally of delivery against our budget, what are the key metrics you look at internally to judge the performance benchmark? So can you share details around these two things?

Arnob Roy: Well, outlook over the next few years is good because overall in all the product segments that we operate in, they are all expected to grow significantly anywhere between 3%-4% to going up to 6%-7% globally. In India, the investments are also growing substantially. India is one of the fastest growing markets.

So from an overall environment point of view and the relevance of our products point of view, I think we are in a very good position right now. We have, especially in India, incumbency in many of the customer accounts. Our key challenge is really growing our international business as well.

And it's mainly a question of execution of successful business in a growing market for us. So I think the market growth and opportunity is not a challenge. It's a question of being able to execute successfully, especially with the newer products and the enhanced portfolio that we have.

So the second part of your question was regarding KPIs. I think it's very simple. The KPIs are again just the financial numbers in terms of revenues, margins, profits, cash flows. So I think all of this has to work out to the numbers and the financial performance of the company. So those are the key parameters that we monitor and we evaluate ourselves on.

Manish Oswal:

Sir, the NEC tie-up which we have, so as per some credit rating notes, we have to pay certain royalty yearly basis. So can you quantify the amount? And secondly, from this tie-up, what is the size of opportunity we can invest for Tejas Network? And corresponding to this question, when you say we have increased the size of opportunity from this different aspect.

But in terms of competitive landscape for participating that opportunity, can you talk about the competition level in terms of cost structures, in terms of where we are losing bids? Can you name a few competitors also in this pitch where we are competing one-on-one?

Arnob Roy:

So as Anand mentioned the NEC agreement is for development of advanced wireless RAN and core technologies. And as part of that also licensing of their products and for joint go-to-market. So this gives a lot of access to NEC's customers worldwide who are deploying their products as well as some of the newer opportunities that they're looking at globally. So this gives us a significant boost to our joint branding and joint go-to-market with their existing as well as the newer customers in the international market.

So that's the big value coming out of that. Quantifying the number is not possible right now. I mean, we don't share that, but we are looking at, of course, significant revenues. And most importantly, these are going to be international business. That's something that we are very keen to really grow, and it's very important for our business to increase our footprint globally. And this gives this initiative a significant boost.

Second part is the competitive landscape. One of the reasons that we invested significantly last financial year and continue to support that is for accelerating our product roadmap. I think right now, over the last 12 months, all the different initiatives that I talked about, all the product portfolio expansion that I talked about, has now placed us in a very good competitive situation compared to the leading-edge product manufacturers across the world.

And they are the people that everybody is familiar with. In wireless, there are Nokia, Ericsson, and others. In optical, these are Ciena, Nokia, and so on. And in routing and switching for the service providers, Nokia and Cisco, and so on. So all of them are global competitors against whom we compete not only in India, but also in international markets. And with all the investment that we've made, all the development that has happened, we find ourselves in a very good competitive position with respect to them.

Moderator:

We have our next question from the line of Advait Lath from Nippon India Mutual Fund.

Advait Lath:

Yes, so just congrats on a great year. And just wanted to ask, what is the tariff-related news flow, or what is the impact of that on us, and how are we looking at that risk in the long or medium term?

Arnob Roy:

Yes, so the full impact of the tariffs and how varied lands finally is yet to be determined, as you know, there are discussions that are going on between the different countries. But the way we see

it is that we see it with respect to our competitive landscape. You know, most of our competitors also manufacture outside of the US, right? I mean, in different geographies, including Asia and various countries in Asia.

So I think whatever the tariff impact on India is, they're going to have the same tariff impact as well. So from that point of view, I believe the impact is going to be neutral. Because I think they're also going to get affected by that. I think the part that could potentially impact is that if there is a negative sentiment in terms of business, global business, and the investments from our customers go down based on the negative sentiment.

If there's a conservative approach that happens in terms of the investment in the network. I think that secondary impact probably has a -- could be a larger risk than the exact tariff by itself.

Advait Lath: And just a follow-on question on the PLI schemes, when do you think we are eligible till which year?

Sumit Dhingra: Till FY27.

Advait Lath: And after that, that will cease to exist, right?

Sumit Dhingra: Yes, that's right. Current scheme is for five years, so it will end in FY27.

Moderator: We have our next question from the line of Sugandhi from Fedex Securities.

Sugandhi: I wanted to understand in terms of the write-off -- if I see over the last, since FY22, our inventory levels were around INR200 crores. And then since then, because of the BSNL contract, we significantly expanded. We also added because there are some component shortages. So the write-off, what kind of equipment does it pertain to?

Because it should be very significant, in proportion to the FY '22 base. And also in terms of intangibles, can we talk about, what kind of projects these are related to? That's my first question. Also on the BharatNet contract, we've seen a lot of announcements from system integrators, from other companies in the value chain, fiber optic companies. So and as for marketing, we've made an announcement for Tamil Nadu for ourselves as well. So, are there any other companies on the electronic equipment side that we are competing with?

And, what's holding back, an announcement coming from Tejas on, the scope and involvement in the BharatNet project? So just, in terms of how much of the market share, in the project is, whatever the estimate be on the total magnitude of the project, but what is the market share that we are targeting for this contract?

Arnob Roy: Well, specific to BharatNet, as I said, the announcements have mainly come from the system integrators, who have won the deal. And those projects are a combination of a lot of services, a lot of supply and deployment of fiber and all those kind of things. And then a significant portion is also about the equipment, right?

So this is where I think the system integrators are working with the OEMs in finalizing the

equipment. All the OEMs, including us, are going through the testing and certification process, which are part of the process, you know, without which you cannot be deployed in the network. So all that is happening in parallel, the discussions and negotiations with the system integrators as well as testing and certification of our products. So I think they will, as I said, they will probably close in Q1.

And whether or not we announce it will depend at that point of time. Since this is a deal between private entities we'll need to see what can be announced or cannot be announced. However, their announcements is because it's like a public tender and that's what has got announced over there.

Regarding your first part of the question, regarding inventory and write-offs, as I said, that's the nature of our business, that we have to do a lot of experimental development, a lot of trying out new ideas, new inventions etc. And some of them may not lead to fruition, may not lead to products getting commercially released.

Since we develop a significant amount of hardware as part of our products, there will always be some amount of inventory which goes obsolete or which becomes unusable in terms of business because of products that we couldn't take to production and so on.

And similarly, with projects as well. So this is the nature of the business, right? If you are in a very direct services kind of business where we are only executing customer contracts and business was based on that, then there is a very direct connection to the business as well as the customer business and the investments in the company.

But for us, being a deep tech company, there's a lot of investment that goes on into innovation. And, while many of them are successful, some of them are not. And that's the nature of the product business. And this happens. I mean, I think this quarter, it has been a large one.

And as Sumit said, we don't always expect it to happen to the tune of this amount. But, this is the nature of the business. This is nothing unusual. I think the number is maybe a little bit higher this quarter.

Sugandhi:

Is it fair to say that on the inventory side also, there was some time with the experimental products that we were doing and for that reason, there was an inventory write-off? I mean, I'm just trying to understand the age, how old this inventory is on our books. I mean, because most of the build-up has happened over the last two years in inventory?

Arnob Roy:

No, I think the development is ongoing, right? That never stops. It's not always connected to a particular business kind of thing. As you can see, while we were executing the BSNL 4G network, a huge amount of investment kept happening in 5G as well, in terms of looking forward for business. So some amount of inventory is connected to that, right? I mean, maybe one particular approach you tried, you tried multiple design and finalized on one of them, the one which gives the best performance and, kind of a thing, right?

So those are experimental stuff that comes into the picture. Some of it is maybe inventory built over to some customer, to some business forecast and may not have got consumed or kind of thing, right, and or got end of life kind of thing. So it's like a combination of these.

As long as you're in the hardware business, these kinds of events do happen, especially in the hardware product business. But maybe not always to the tune that you've seen right now.

And same thing to do with the project right now. There will be experimental projects which may not reach commercial success and we write them off. And this has been one of large numbers this year.

Sugandhi: And just on my other question, what I was trying to understand, are we competing with international vendors as well in the BharatNet contract? And, if you could give us, any light on the number and the size of these other OEMs. I mean, how, what kind of pedigree of OEMs are we competing against? You know, just to understand what is our right to win in the BSNL contract?

Arnob Roy: Yes, I think you have to realize that any business that we do, any customer opportunity that we compete in, are with the same international vendors. So it's not something new for us. When we compete in a private operator like, Vodafone India or Airtel or Tata Communications, we are always up against international vendors and we always have uniqueness and differentiators in our products, which help us win whenever we compete against them.

So it's the same in the case of BharatNet. We have won the MAAN business for routers against global competition that included all the vendor names that you know of and it's a similar situation over here. So just because international competition is there, it doesn't mean our chances are any less, we do that on a regular basis, not only internationally, but also in India because all those global vendors also operate in India. It doesn't increase or decrease our chances of success in any meaningful way, because that's what we do every day.

Sugandhi: Sure. It's helpful. Thank you.

Moderator: Thank you. We have our next question from the line of Deepak Sharma, an Individual Investor. Please go ahead.

Deepak Sharma: Hello. Sir thanks for the opportunity. As a retail investor, just my concern is as Tejas is not covered by any research analyst. So from the retail investor point of view, we are looking for some numbers or at least a broader idea about the sector opportunities, but without numbers, very hard to judge where we are and will be next two, three years. And after all, from stock price to salary or capex or revenue, everything is numbers.

I'm not saying you give me the numbers of quarter-on-quarter or even the year, but can you please give the hint what are the exact opportunity sites for the sector in India for BharatNet, Kavach and Vodafone so and so and what are the opportunity sites globally you are looking for at FY26?

Arnob Roy: So as I mentioned, we cannot discuss specific numbers and for specific customer opportunities. For the large government tenders, as I said, they range from several hundred crores to several thousand crores. So those are fairly large deals. I mean, may not be as big as the BSNL 4G deal, but significant nonetheless. And so those are some of the significant projects based on which we took on the base for our FY26.

But at the same time, a lot of our investment and focus is also on the private operators, both in

India as well as internationally. And with respect to these opportunities, I would say that the small-to-medium sized opportunities typically range from several million dollars, going up to \$5 to \$10 million. The larger opportunities could go up to \$50 million to \$60 million or sometimes even bigger than that.

But it would be spread around a lot of customers, a lot of different operators in different parts of the world as well as in India. And the combination of those would work towards making our FY26 numbers.

Deepak Sharma: Now, sir, can you put some highlights or any idea about what is the correlation with the capex of telecom companies and your revenue, not even the sectoral revenue?

Arnob Roy: Well, yes, I think their capex spend has a direct relation to us. Of course, a lot of the capex spend goes into passive infrastructure such as fiber or towers or power etc. But roughly 10% to 15% of their overall capex budget goes into active equipment, the types of products that we sell. So when you look at their capex spend numbers and projections, that's typically the factor applicable to the active equipment space.

Deepak Sharma: Okay. Now, sir, one more question. What is the capex growth rate you are expecting from the domestic and international market from the telecom companies in the next one or two or at least three years?

Arnob Roy: So as I mentioned, I think the overall industry reports show a growth, a projected growth in all the product segments that we address, ranging from 3% to 4% going up to 7% to 8%. And our addressable market is fairly large over here. With reference to the service provider market, the wireless market is multiples of tens of billions of dollars and the same with wireline also. It's upwards of \$30 to \$40 billion globally which is a pretty large addressable market and growing at a fairly good clip. So from that point of view, I think we are very bullish and encouraged about our prospects going forward, not only in FY26, but also beyond that.

Deepak Sharma: Okay, sir. Just a part of this question, this last question. Sir, BSNL, you have computed the 1 lakh sites of BSNL. So if, suppose you are a BSNL, if you are competing with Bharti Airtel, Vodafone, or even Jio, then, at least, how many towers means how many 4G expanded towers required by the BSNL to compete with at least these three companies?

Arnob Roy: So roughly from what I know the BSNL has 100,000 towers, but many of the private operators have upwards of 200,000 towers. So we do look forward to a lot of the expansion of BSNL network for them to be able to compete with those operators. And that is a significant opportunity for us, both in terms of expanding the 4G network as well as upgrades to 5G, which is part of the tender that came out.

I mean, there's a significant number of 5G upgrades as well. So a lot of work is going on in that area, a lot of trials and testing and POCs are going on. And hopefully we should see some good business coming out of that, out of that incumbency that we have in the network.

Deepak Sharma: Okay, sir. Thank you.

- Moderator:** Thank you. We have our next question from the line of Hiren Kumar Desai, an Individual Investor. Please go ahead.
- Hiren Desai:** Thank you for the opportunity. My question was regarding employee benefit expenses. For last three, four quarters, it's around INR100 crores to INR110 crores. I'm assuming that this is all fixed costs. So what kind of revenue and EBITDA is required to have break-in on a quarterly basis?
- Sumit Dhingra:** Yes, so employee cost is predominantly fixed in nature. I think as we progressed over quarters, there has been an increase in the employee cost, mainly coming out of investments that we need to do in R&D and sales and marketing and other functions. So a part of our employee cost is also capitalized based on R&D projects that we are working on. So I think from the perspective of quarterly revenue and the revenue required to break even, I think a large part of this cost, our general cost structure, other than the material cost is fixed in nature.
- So depending on the - well, not giving the exact number, but depending on the margins that you assume, which is basically between 20% to 30% range, that could give you the implied revenue required to be recovering the fixed cost that we have.
- Hiren Desai:** Okay. Yes, that answers my question.
- Moderator:** Thank you. We have our next question from the line of Vimal Gohil from Alchemy Capital Management. Please go ahead.
- Vimal Gohil:** Yes, thank you for the follow-up, sir. Sumit sir, can you help me with one more data point? For this particular year, what was the ESOP cost that we recorded in our P&L? Last year, I think we were at INR107 odd crores. What would be that number for this year?
- Sumit Dhingra:** Vimal, it would be roughly around INR80 crores. We can give the exact numbers later.
- Vimal Gohil:** No problem. But this run rate is expected to be at this level or will reduce?
- Sumit Dhingra:** Look, I think it's a function of how we choose to reward employees over time. I think over the last couple of years also because of RSUs that were part of the transaction and otherwise, I think the expenses may have been a bit higher. But I think it would generally continue to be broadly at similar levels as well.
- Vimal Gohil:** Fair enough. And sir, this NEC capital outlay?
- Anand Athreya:** Finish. Why don't you finish?
- Vimal Gohil:** Sir, my question was on the NEC initiative. The capital outlay has been recorded in our balance sheet already and which line item can we see that in?
- Sumit Dhingra:** No, it is not yet recorded. I think as we go along, as the project delivery milestones get completed, you would see that progressively over the coming year. It will show up in intangible assets under development to begin with. Right now only a small portion has been recognized in the books.
- Vimal Gohil:** Right. Sir, I interrupted you in between. You may complete your response?

Anand Athreya: It's time for one last question, please.

Vimal Gohil: No, I'm done. Thank you so much.

Moderator: Thank you.

Anand Athreya: Okay, can we close the call?

Moderator: As you see, sir. If you want to take another question, I will take another. If you want to close, you can close.

Anand Athreya: Okay, we'll take one more.

Moderator: The next question is from the line of Manoj Shah from Lexcorp Investments. Please go ahead.

Manoj Shah: Thank you for taking my call. I just wanted to check on this BSNL 4G upgrade order. Does that involve any contract for the maintenance part also or it was just the one-time up gradation?

Arnob Roy: No, the BSNL contract includes maintenance. There's a period of seven years after the network is commissioned. In fact, in general, any business anywhere we supply and deploy our equipment always comes with multi-year maintenance and sometimes they get renewed year-over-year. But in this particular case, it's over multiple years. I think seven years of maintenance, which comes along with the contract.

Manoj Shah: And what will be the run rate per year for the maintenance?

Arnob Roy: There's no specific number that we can share for this.

Manoj Shah: Okay. And regarding this BSNL 5G, there is a news item that says that the government wants to upgrade it to 5G. So your company will get a first priority of some part of the order will be reserved for you for that. Can you elaborate on that or it will be on a competitive bidding basis 5 G?

Arnob Roy: It's a combination. I think a lot of the 5G upgrade, which is going to happen in the same existing bands in which 4G is deployed, that will come through the upgrade of our equipment. And our equipment is designed for that. And even the original tender which we executed has scope for this 5G upgrade in those bands.

So those upgrades will come through our equipment. But there will be newer bands, some of the performance bands of 3.5 gigahertz and so on. So there we expect new tenders to come out. So 5G upgrade is going to be a combination of these.

Manoj Shah: What could be the size of this 5G order that you expect to get from this BSNL order?

Arnob Roy: Again, no specific numbers and it all depends on the number of sites they upgrade. But obviously it will not be as large as a fresh 100,000 site deployment, but based on the number of sites the cost will be a fraction of the total base cost since these will be 5G upgrades. And it depends on the number of sites that get upgraded. That will determine our revenue. But again, it's definitely significant in terms of several hundred crores for sure.

- Manoj Shah:** So it will be like for the 1 lakh sites which you have upgraded to 4G, so those will get upgraded to 5G, those 100,000 sites?
- Arnob Roy:** No, I don't think that all of those sites will get upgraded to 5G.
- Manoj Shah:** It will be a fraction of that.
- Anand Athreya:** Okay. Guys, its 8.30. So I want to thank everyone for participating in this call. Have a good evening. Thank you.
- Moderator:** Thank you, sir. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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