

Price Waterhouse Chartered Accountants LLP

The Board of Directors
Tejas Networks Limited,
5th Floor, J P Software Park,
Plot No 25, Sy. No 13, 14, 17, 18,
Konnapanan Agrahara Village,
Begur Hobli, Bangalore – 560100

Independent Auditor's Report on the Statement of consolidated financial results

1. We have audited the accompanying Statement containing the annual audited consolidated financial results of Tejas Networks Limited ("hereinafter referred to as the Holding Company") and its subsidiaries/ step down subsidiary (the Holding Company and its subsidiaries/ step down subsidiary together referred to as "the Group"), (refer Note 2 to the Statement of consolidated financial results) for the year ended March 31, 2019 together with the notes thereon (hereinafter referred to as the "Statement"), which we have signed under reference to this report.

Management's Responsibility for the consolidated financial results

2. Management of the Holding Company is responsible for the preparation of the accompanying Statement. The Management is also responsible for the preparation of the annual statutory consolidated financial statements in accordance with the Accounting Standards specified under Section 133 of the Companies Act, 2013 (the "accounting principles generally accepted in India"), basis which the above Statement containing the annual audited consolidated financial results has been prepared. The responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013 ("the Act") and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statement is free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Statement.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Price Waterhouse Chartered Accountants LLP, 5th Floor, Tower 'D', The Millenia, 1 & 2 Murphy Road, Ulsoor
Bangalore - 560 008

T: +91 (80) 4079 5000, F: +91 (80) 4079 5222

Registered office and Head office: Suchela Bhawan, 11A Vishnu Digambar Marg, New Delhi 110 002

Price Waterhouse (a Partnership Firm) converted into Price Waterhouse Chartered Accountants LLP (a Limited Liability Partnership with LLP identity no: LLPIN AAC-5001) with effect from July 25, 2014. Post its conversion to Price Waterhouse Chartered Accountants LLP, its ICAI registration number is 012754N/N500016 (ICAI registration number before conversion was 012754N)

Price Waterhouse Chartered Accountants LLP

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us:
- (i) the Statement, together with the notes thereon are presented in the format prescribed under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in this regard; and
- (ii) the Annual audited consolidated financial results for the year ended March 31, 2019 as set out in the Statement gives a true and fair view of the total consolidated comprehensive income (comprising of consolidated profit and consolidated other comprehensive income) and other financial information of the Group, for the year ended March 31, 2019 in accordance with the accounting principles generally accepted in India.

Emphasis of Matter

7. We draw your attention to Note 16 of the Statement regarding the figures for the quarter ended March 31, 2019, which are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures upto the third quarter of the current financial year. Our opinion is not qualified in respect of this matter.

Other Matter

8. We did not audit the financial information of 1 subsidiary and 1 step down subsidiary which reflect total assets of Rs 25.59 Crores and net assets of Rs 14.08 Crores as at March 31, 2019, total revenue of Rs. 28.14 Crores, total comprehensive income [comprising of profit and other comprehensive income] of Rs. 0.43 Crores for the year ended on that date, as considered in the Statement of consolidated financial results. Such financial information is unaudited and has been furnished to us by the Management, and our opinion on the Statement of consolidated financial results insofar as it relates to the amounts is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management, such financial information is not material to the Group.
9. The Statement dealt with by this report has been prepared for the express purpose of filing with Stock Exchanges on which the Company's shares are listed. This Statement is based on and should be read with the Annual audited consolidated financial statements of the Group for the year ended March 31, 2019 on which we issued an unmodified audit opinion vide our report dated April 22, 2019.

Our opinion is not qualified in respect of these matters.

Restriction on Use

10. This report is addressed to the Board of Directors of the Holding Company and has been prepared for and only for the purposes set out in paragraph 9 above. This report should not be otherwise used by any other party for any other purpose.

For Price Waterhouse Chartered Accountants LLP
Firm Registration Number: 012754N/N500016
Chartered Accountants



Pradip Kanakia
Partner
Membership No: 039985

Place: Bengaluru
Date: April 22, 2019



Tejas Networks Limited

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Konnappa Aagrahara Village, Begur Hobli, Bengaluru 560 100, Karnataka, India.
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Statement of Consolidated Financial Results for the quarter and year ended March 31, 2019

(Rs. in crore except per share data)

| Particulars | Quarter ended | Quarter ended | Quarter ended | Year ended | Year ended |
|---|----------------|-------------------|----------------|----------------|----------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 | March 31, 2019 | March 31, 2018 |
| | Refer Note 16 | Unaudited | Refer Note 16 | Audited | Audited |
| I Revenue from operations* | 273.13 | 184.33 | 102.13 | 900.32 | 767.44 |
| II Other Income | 6.87 | 9.30 | 10.06 | 36.69 | 27.83 |
| III Total income (I + II) | 280.00 | 193.63 | 112.19 | 937.01 | 795.27 |
| IV EXPENSES | | | | | |
| (a) Cost of materials consumed | 145.59 | 95.28 | 43.00 | 463.70 | 382.42 |
| (b) Excise duty | - | - | - | - | 17.64 |
| (c) Employee benefit expense | 33.69 | 27.60 | 20.48 | 123.66 | 92.26 |
| (d) Finance costs | 5.07 | 4.54 | 1.55 | 17.00 | 13.40 |
| (e) Depreciation and amortization expense | 17.45 | 16.19 | 11.83 | 65.88 | 61.27 |
| (f) Other expenses | 41.12 | 25.11 | 27.91 | 116.75 | 122.24 |
| Total Expenses (IV) | 242.92 | 168.72 | 104.77 | 786.99 | 689.23 |
| V Profit before tax (III - IV) | 37.08 | 24.91 | 7.42 | 150.02 | 106.04 |
| VI Income tax expense | | | | | |
| (1) Current tax | 3.04 | (2.93) | 2.61 | 19.63 | 23.78 |
| (2) Deferred tax (benefit) | (1.85) | (5.00) | (24.26) | (16.85) | (24.26) |
| Total tax expense | 1.19 | (7.93) | (21.65) | 2.78 | (0.48) |
| VII Profit after tax (V - VI) | 35.89 | 32.84 | 29.07 | 147.24 | 106.52 |
| VIII Other comprehensive income | | | | | |
| a Items that will not be reclassified to profit or loss | | | | | |
| Remeasurements of the defined benefit obligation | (1.61) | (0.20) | (0.05) | (2.20) | (2.05) |
| Income tax relating to above | 0.35 | 0.05 | 0.44 | 0.48 | 0.44 |
| b Items that will be reclassified to profit or loss | | | | | |
| Exchange differences on translation of foreign operations | (0.07) | (0.80) | (0.30) | 0.77 | (0.15) |
| IX Total comprehensive income for the period (VII + VIII) | 34.56 | 31.89 | 29.16 | 146.29 | 104.76 |
| X Earnings per equity share | | | | | |
| Equity shares of par value Rs. 10 each | | | | | |
| (1) Basic | 3.92 | 3.59 | 3.21 | 16.13 | 12.41 |
| (2) Diluted | 3.79 | 3.41 | 3.04 | 15.39 | 11.73 |

* Refer Note 1

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E-mail: corporate@tejasnetworks.com; Website: www.tejasnetworks.com

Consolidated Statement of Assets and Liabilities as at March 31, 2019

(Rs. In crore except per share data)

| Particulars | As at | |
|--|-----------------|-----------------|
| | March 31, 2019 | March 31, 2018 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 30.68 | 35.98 |
| Intangible assets | 68.44 | 38.75 |
| Intangible assets under development | 41.38 | 46.85 |
| Financial assets | | |
| Investments* | 0.00 | 0.00 |
| Trade receivables | 42.81 | 34.84 |
| Loans | 4.38 | 5.44 |
| Other financial assets | 0.12 | 0.04 |
| Income Tax Asset (net) | 36.92 | 32.01 |
| Deferred Tax Assets | 138.00 | 121.16 |
| Other non-current assets | 0.14 | 0.34 |
| Total non-current assets | 362.87 | 315.41 |
| Current assets | | |
| Inventories | 181.39 | 190.89 |
| Financial assets | | |
| Investments | 86.55 | 76.52 |
| Trade receivables | 622.12 | 275.71 |
| Cash and cash equivalents | 16.90 | 214.19 |
| Bank balances other than above | 106.15 | 21.76 |
| Loans | 0.95 | 0.62 |
| Other financial assets | 180.44 | 213.40 |
| Other current assets | 27.91 | 21.27 |
| Total current assets | 1,222.41 | 1,014.36 |
| Total assets | 1,585.28 | 1,329.77 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Equity share capital | 94.99 | 94.09 |
| Other equity | 1,225.25 | 1,057.99 |
| Total equity | 1,320.24 | 1,152.08 |
| Liabilities | | |
| Non-current liabilities | | |
| Financial liabilities | | |
| Borrowings | - | 1.00 |
| Provisions | 1.75 | 1.14 |
| Total non-current liabilities | 1.75 | 2.14 |
| Current liabilities | | |
| Financial liabilities | | |
| Trade payables | | |
| Total outstanding dues of micro enterprises and small enterprises | 26.83 | - |
| Total outstanding dues of creditors other than micro enterprises and small enterprises | 136.70 | 105.03 |
| Other financial liabilities | 81.72 | 53.30 |
| Provisions | 8.14 | 6.89 |
| Other current liabilities | 9.90 | 10.33 |
| Total current liabilities | 263.29 | 175.55 |
| Total liabilities | 265.04 | 177.69 |
| Total equity and liabilities | 1,585.28 | 1,329.77 |

* Amount below the rounding off norm adopted by the Company.

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(Rs. in crore except share data)

Notes

- 1 Revenue from operations for quarter ended June 30, 2017 was inclusive of excise duty. Post introduction of Goods and Services Tax (GST), effective July 1, 2017 revenue from operations for the periods post June 30, 2017 is net of the related GST. Accordingly, the revenue for the year ended March 31, 2019 and the corresponding previous year are not strictly comparable. On a comparable basis, revenue, net of such taxes is given below:

| Particulars | Quarter ended | | Quarter ended | | Year ended | |
|---|----------------|-------------------|----------------|----------------|----------------|----------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 | March 31, 2019 | March 31, 2018 | March 31, 2018 |
| | Refer Note 16 | Unaudited | Refer Note 16 | Audited | Audited | Audited |
| Revenue from operations | 273.13 | 184.33 | 102.13 | 900.32 | 767.44 | 767.44 |
| Less: Excise Duty | | | | | 17.64 | 17.64 |
| Revenue from operations (net of excise duty) | 273.13 | 184.33 | 102.13 | 900.32 | 749.80 | 749.80 |
| Comparable revenue increase for the year (in %) | | | | 20% | | |

- 2 The Statement of consolidated financial results includes the results of Tejas Networks Limited ('the Company' or 'the Holding Company') and the following subsidiaries/step down subsidiary (collectively referred as 'the Group' hereinunder):
- Tejas Communication Pte. Limited, Singapore
 - Tejas Israel Limited (upto November 25, 2018) [Refer Note 4],
 - Tejas Communication (Nigeria) Limited and
 - vSave Energy Private Limited (upto July 28, 2018) [Refer Note 3]
- 3 During the year, vSave Energy Private Limited, a wholly owned non-operating Indian subsidiary has been dissolved with effect from July 28, 2018 pursuant to receiving approval from the Registrar of Companies, Karnataka for dissolution, and for striking off the name of this entity.
- 4 During the year, Tejas Israel Limited, a wholly owned non-operating foreign subsidiary has been liquidated with effect from November 25, 2018 pursuant to receiving approval from the Registrar of Companies and Partnerships, Israel.
- 5 These consolidated financial results of the Group have been prepared in accordance with Companies (Indian Accounting Standard) Rules, 2015 ('Ind AS') prescribed under section 133 of the Companies Act, 2013 read with relevant rules, issued thereunder, and other recognised accounting practices and policies and in terms of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations'), as modified by SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016 ('SEBI Circular').
- 6 The Group's operations comprise of only one segment viz. Networking equipment.
- 7 During the quarter ended June 30, 2017, the Company completed an Initial Public Offer ('IPO') and allotted 1,75,09,727 equity shares of Rs. 10/- each at a premium of Rs 247/- per share. The equity shares of the Company were listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) with effect from June 27, 2017. Cumulatively 100% of the proceeds have been utilised during the quarter ended June 30, 2018. There was no deviation in use of proceeds from the objects stated in the offer document.
- 8 Summary of key standalone financial results of the Company is as follows:

| Particulars | Quarter ended | | Quarter ended | | Year ended | |
|--------------------------|----------------|-------------------|----------------|----------------|----------------|----------------|
| | March 31, 2019 | December 31, 2018 | March 31, 2018 | March 31, 2019 | March 31, 2018 | March 31, 2018 |
| Revenues from operations | 271.91 | 181.10 | 98.25 | 894.03 | 761.07 | 761.07 |
| Profit before tax | 37.05 | 23.74 | 5.47 | 149.47 | 105.64 | 105.64 |
| Profit after tax | 35.86 | 31.67 | 27.12 | 146.69 | 107.12 | 107.12 |

Note: The standalone financials results of the Company for the above mentioned periods are available in the investors section in www.tejasnetworks.com and also with the stock exchanges where it is listed. The information above has been extracted from the published standalone financial results.

- 9 In July, 2017, the Income Tax Department initiated proceedings under Section 132 of the Income tax Act, 1961 (IT Act). The Company and its officials fully co-operated with the Income Tax Department. During the year, the Company and certain officers of the Company have received Summons under various sections of the IT Act from the Special Court for Economic Offences. The Company has responded appropriately in this matter. As on date, there is no demand raised by the Income Tax Department in respect of any of the matters under the aforesaid proceedings or summons. The Company is of the view that the outcome of these proceedings/summons will not have any material impact on the Company's consolidated financial results.
- 10 During the year, the Company has received an Order from CESTAT with respect to applicability of excise duty on the software used as part of the Multiplexer products during the financial years 2002-03 to 2009-10. The aforesaid Order (the 'Order') has dealt with an earlier Order received during the year 2010-11 (Rs. 11.87 crores) and various show cause notices on the similar matter received in different earlier financial years (aggregating Rs. 24.88 crores). The earlier order was disclosed as a contingent liability and the aforesaid show cause notices were disclosed under the contingent liabilities note as additional information for the year ended March 31, 2018. The Order was a culmination of the various appeals filed by both the Company and the Department of Central Excise in respect of both the earlier order and the show cause notices mentioned above that were heard by the Commissioner of Central Excise and CESTAT. According to the Order, the value of software is to be included for the purpose of arriving at the assessable value for calculating the excise duty liability on the product. Accordingly, CESTAT has remanded the matter back to the adjudicating authority for quantifying the differential duty liability, interest and penalties. Based on Management's assessment of the CESTAT Order, supported by an external legal opinion, Management has concluded that the company has a strong case to defend its position in this matter and accordingly, no provision has been made in the financial results, for the financial impact if any, arising from the aforesaid CESTAT Order. The Company has filed a Miscellaneous Application with CESTAT on August 19, 2018 challenging the aforementioned Order. In addition, Company has also filed a Civil Application on September 24, 2018 under section 35L of the Central Excise Act, 1944 along with a stay application with the Supreme Court against the CESTAT Order.
- 11 The Group has with effect from April 01, 2018 revised the estimated useful lives of Laboratory Equipment, Electrical Installation and Furniture and Fixtures from 10 years to 5 years, Vehicles from 8 years to 5 years and Servers and Networking Equipment from 6 years to 5 years, based on a periodic technical evaluation carried out during the year. Accordingly, additional depreciation of Rs. 0.72 and Rs. 8.89 has been charged for the quarter and year ended March 31, 2019 respectively on a prospective basis in this statement of consolidated financial results.
- 12 a) The Company has, at various grant dates during the year issued 10,43,340 Restricted Stock Units (RSU) to its employees and certain employees of a foreign subsidiary at face value of the Company's share, which were approved by the Nomination and Remuneration Committee and the Board of Directors. An amount of Rs. 2.99 and Rs. 13.32 representing the fair value of such RSU's has been charged for the quarter and year ended March 31, 2019 respectively (Rs. 0.09 and Rs. 0.16 for the quarter and year ended March 31, 2018 respectively) in this statement of consolidated financial results.
- b) The Company has, at various grant dates in the earlier years issued stock options under different Employee Stock Option Plans to its employees and certain employees of a foreign subsidiary at different exercise price. An amount of Rs. 0.30 and Rs. 1.78 representing the fair value of such stock options has been charged for the quarter and year ended March 31, 2019 respectively (Rs. 0.90 and Rs. 5.53 for the quarter and year ended March 31, 2018 respectively) in this statement of consolidated financial results.
- 13 The Company has from time to time in the normal course of business entered into factoring agreements with bankers for some of the trade receivables on a non-recourse basis. As at March 31, 2019 the trade receivables does not include receivables amounting to Rs. 57.85 (March 31, 2018: Rs. 72.86) which have been derecognised in accordance with Ind AS 109 - Financial Instruments, pursuant to such factoring agreements.

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- 14 The Group has adopted Ind AS 115 "Revenue from Contracts with Customers" with effect from April 01, 2018 by applying the modified retrospective approach. The impact on account of adoption of Ind AS 115 as compared with Ind AS 18 on the Consolidated Statement of Assets and Liabilities as at March 31, 2019 and Statement of Consolidated Financial Results for the year ended March 31, 2019 is as follows:
- Retention money is no longer been discounted and the variable consideration as envisaged in certain contracts have been netted off with the Revenue.
 - The impact of the said changes on the Consolidated Statement of Assets and Liabilities and Statement of Consolidated Financial Results is not considered to be material.
- 15 The Company and its overseas subsidiary has filed a claim against a vendor for recovery of outstanding amount net, which comprises amount payable by the Company and amount receivable by the Company's overseas subsidiary. During the year Company has received a counter claim from the said vendor. Based on management assessment, the counter claim is not tenable as it is not backed by reliable supporting documentation. There has been no business with this vendor in the past 3 years. The matter is sub-judice and is under mediation, the Company believes that the outcome of this litigation will have no material impact on this statement of financial results.
- 16 The figures for the quarter ended March 31, 2019 and March 31, 2018 are the balancing figures between the audited figures in respect of the full financial year and the published unaudited year to date figures up to the third quarter of the respective financial years which were subjected to review by the statutory auditors.
- 17 After the year end the Board of Directors in their meeting held on April 22, 2019 have recommended the payment of final dividend of Re. 1 per fully paid equity share. (March 31, 2018 : Nil). This proposed final dividend is subject to the approval of shareholders in the ensuing general meeting.
- 18 Previous period's figures have been regrouped/reclassified where necessary, to conform with the current period's presentation for the purpose of comparability.
- 19 The above statement of consolidated financial results and consolidated statement of assets and liabilities was reviewed and recommended by the Audit Committee of the Board and subsequently approved by the Board of Directors at their respective meetings held on April 22, 2019.

For and on behalf of the Board of Directors

CEO and Managing Director
(DIN: 01049871)

Place: Bengaluru
Date: April 22, 2019

