

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,
Konnapana Agrahara Village,
Begur Hobli, Bangalore – 560100

Independent Auditors' Report on Review of Interim standalone results for the quarter ended December 31, 2018

1. We have reviewed the unaudited financial results of Tejas Networks Limited (the "Company") for the quarter ended December 31, 2018, which are included in the accompanying 'Statement of Standalone Unaudited Financial Results for the quarter and nine months ended December 31, 2018' together with the notes thereon (the "Statement"). The Statement has been prepared by the Company pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations, 2015"), which has been initialled by us for identification purposes. The Statement is the responsibility of the Company's Management and has been approved by its Board of Directors. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement.
3. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
4. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the Statement has not been prepared in all material respects in accordance with the applicable Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies, and has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.

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



Pradip Kanakia
Partner
Membership Number: 039985

Place: Bengaluru
Date: January 23, 2019

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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)



Tejas Networks Limited

Registered and Corporate Office: J.P. Software Park, Plot No. 25, Sy. No. 13, 14, 17 and 18,
Konnappa Agrahara Village, Begur Hobli, Bengaluru 560 100, Karnataka, India.
Corporate Identity Number: L72900KA2000PLC026980
Tel: +91 80 4179 4600; Fax: +91 80 2852 0201
E-mail: corporate@tejasnetworks.com; Website: www.tejasnetworks.com

Statement of Standalone Unaudited Financial Results for the quarter and nine months ended December 31, 2018

(Rs. in crore except per share data)

Particulars	Quarter ended	Quarter ended	Quarter ended	Nine months ended	Nine months ended	Year ended
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017	March 31, 2018
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
I Revenue from operations*	181.10	205.61	228.98	622.12	662.82	761.07
II Other Income	9.15	10.80	6.84	29.67	17.84	27.22
III Total Revenue (I + II)	190.25	216.41	235.82	651.79	680.66	788.29
IV EXPENSES						
(a) Cost of materials consumed	95.36	111.22	114.22	318.20	339.38	382.30
(b) Excise duty	-	-	-	-	17.64	17.64
(c) Employee benefits expense	26.13	28.35	24.68	85.52	69.53	88.65
(d) Finance costs	4.78	3.90	3.51	11.85	11.83	13.45
(e) Depreciation and amortization expense	16.19	15.04	15.29	48.43	49.44	61.27
(f) Other expenses	24.05	20.98	37.16	75.37	91.67	118.34
Total Expenses (IV)	166.51	179.49	194.86	539.37	579.49	681.65
V Profit before tax (III - IV)	23.74	36.92	40.96	112.42	101.17	106.64
VI Tax Expense						
(1) Current tax	(2.93)	7.91	8.63	16.59	21.17	23.78
(2) Deferred tax (benefit)	(5.00)	(5.00)	-	(15.00)	-	(24.26)
Total tax expense	(7.93)	2.91	8.63	1.59	21.17	(0.48)
VII Profit after tax (V - VI)	31.67	34.01	32.33	110.83	80.00	107.12
VIII Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements of the defined benefit liabilities / (assets)	(0.20)	(0.32)	(0.55)	(0.59)	(2.00)	(2.05)
Income tax relating to above	0.05	0.06	-	0.13	-	0.44
IX Total comprehensive income for the period (VII + VIII)	31.52	33.75	31.78	110.37	78.00	105.51
X Earnings per equity share of Rs. 10 each						
(1) Basic	3.46	3.73	3.60	12.15	9.49	12.48
(2) Diluted	3.29	3.53	3.39	11.52	8.92	11.79

* Refer Note 1

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Notes

(Rs. in crore except share data)

- 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 nine months ended December 31, 2018 and the corresponding nine months of the previous year are not strictly comparable. On a comparable basis, revenue, net of such taxes is given below:

Particulars	Quarter ended	Quarter ended	Quarter ended	Nine months ended	Nine months ended	Year ended
	December 31, 2018	September 30, 2018	December 31, 2017	December 31, 2018	December 31, 2017	March 31, 2018
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Revenue from operations	181.10	205.61	228.98	622.12	662.82	761.07
Less: Excise Duty	-	-	-	-	17.64	17.64
Revenue from operations (net of excise duty)	181.10	205.61	228.98	622.12	645.18	743.43
Comparable revenue decrease for nine months (in %)				-4%		

- 2 These financial results have been prepared in accordance with Companies (Indian Accounting Standard) Rules, 2015 prescribed under section 133 of the Companies Act, 2013 read with relevant rules, issued thereunder, and other recognised accounting practices and policies ('Ind AS') 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').
- 3 The Company's operations comprise of only one segment viz. Networking equipment.
- 4 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.
- 5 During the quarter September 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. As on date, there is no demand raised by 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. The Company is of the view that the outcome of these proceedings will not have any material impact on the Company's results.
- 6 During the quarter September 2018, 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 to 2009 and 2011 to 2014. According to the Order, the value of software is required to be included for the purpose of arriving at the assessable value for calculating the excise duty liability. 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 this statement of financial results, for the financial impact if any, arising from the aforesaid CESTAT Order. The Company has disclosed this matter as contingent liability/footnote in the financial statements for the year ended March 31, 2018. 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.
- 7 The Company has with effect from April 01, 2018 revised the estimated useful lives of Laboratory Equipment, Electrical Installation and Furniture and Fittings 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 quarter ended June 30, 2018. Accordingly, additional depreciation of Rs. 1.13 and Rs. 8.19 has been charged for the quarter and nine months ended December 31, 2018 respectively on a prospective basis in this statement of financial results.
- 8 The Company has, at various grant dates during the year issued 9,88,450 Restricted Stock Units (RSU) to its employees 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. 3.62 and Rs. 10.33 representing the fair value of such RSU's has been charged for the quarter and nine months ended December 31, 2018.
- 9 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 and as at December 31, 2018 has derecognised such receivables amounting to Nil (December 31, 2017: Rs. 99.62) in accordance with Ind AS 109 - Financial Instruments, pursuant to such factoring agreements.
- 10 The Company has adopted Ind AS 115 "Revenue from Contracts with Customers" with effect from April 01, 2018 by applying the modified retrospective approach. Based on an evaluation, the Company has identified and considered the impact on account of Ind AS 115 in this statement of financial results on long term retention money due from customers and penalties/ liquidated damages, where applicable.
- 11 The Company during the previous quarter, has received approval from the Registrar of Companies, Karnataka for striking off and dissolution of vSave Energy Private Limited, a wholly owned non-operating Indian subsidiary with effect from July 28, 2018.
- 12 The Company during the current quarter, has received approval from the Registrar of Companies and Partnerships, Israel for liquidation of Tejas Israel Limited, a wholly owned non-operating foreign subsidiary with effect from November 25, 2018.
- 13 Previous period's figures have been regrouped/reclassified where necessary, to conform with the current period's presentation for the purpose of comparability.
- 14 The above statement of financial results 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 January 23, 2019. The Statutory Auditors of the Company have carried out a limited review of this statement of financial results for the quarter ended December 31, 2018.

For and on behalf of the Board of Directors

Sanjay Nayak
CEO and Managing Director
(DIN: 01049871)

Place: Bengaluru
Date: January 23, 2019

