

Price Waterhouse Chartered Accountants LLP

Independent Auditor's Review Report on the Statement of Consolidated Unaudited Financial Results

To,
The Board of Directors
Tejas Networks Limited
5th Floor, J P Software Park
Plot No 25, Sy. No 13, 14,17 and 18
Konnapana Agrahara Village
Begur Hobli, Bengaluru – 560 100

1. We have reviewed the unaudited consolidated financial results of Tejas Networks Limited (the "Parent"), and its subsidiaries (the parent and its subsidiaries hereinafter referred to as the "Group"), [(refer Note 1 on the Consolidated Statement)] for the quarter ended June 30, 2021 which are included in the accompanying 'Statement of Consolidated Unaudited Financial Results for the quarter ended June 30, 2021' together with the notes thereon (together referred to as the "Consolidated Statement"). The Consolidated Statement is being submitted by the Parent pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations"), which has been initialled by us for identification purposes.
2. This Consolidated Statement, which is the responsibility of the Parent's Management and has been approved by the Parent's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Consolidated Statement based on our review.
3. We conducted our review of the Consolidated Statement in accordance with the Standard on Review Engagements (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 Consolidated Statement is free of material misstatement. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33(8) of the Listing Regulations, to the extent applicable.
5. The Consolidated Statement includes the results of the following entities:
Tejas Communication Pte. Limited, Singapore
Tejas Communication (Nigeria) Limited



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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)

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6. Based on our review conducted and procedures performed as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Consolidated Statement has not been prepared in all material respects in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India and has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations, including the manner in which it is to be disclosed, or that it contains any material misstatement.
7. We draw your attention to the following:
 - a. Note 8 to the Consolidated Statement regarding overdue trade receivables (due for more than 180 days from the due date for payment) from public sector customers, aggregating to Rs. 80.67 crores (net of provision) as at June 30, 2021. Parent's management believes that the aforesaid receivables are good and fully recoverable and that no additional allowances for credit losses are necessary in respect of these balances as at June 30, 2021.
 - b. Note 9 to the Consolidated Statement which explains the uncertainties and the management's assessment of the financial impact due to restrictions and other conditions related to the COVID-19 pandemic situation, for which a definitive assessment of the impact in the subsequent period is highly dependent upon the circumstances as they evolve.

Our opinion is not modified in respect of these matters.

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



Mohan Danivas S A
Partner

Membership Number: 209136
UDIN: 21209136AAAABW8464

Place: Bengaluru
Date: July 21, 2021



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 Consolidated Unaudited Financial Results for the quarter ended June 30, 2021

(Rs. in crore except per share data)

Particulars	Quarter ended June 30, 2021	Quarter ended March 31, 2021	Quarter ended June 30, 2020	Year ended March 31, 2021
	Unaudited	Unaudited (Refer Note -11)	Unaudited	Audited
I Revenue from operations	144.25	201.55	80.11	526.60
II Other Income (Refer Note - 10)	8.38	3.85	4.34	24.85
III Total income (I + II)	152.63	205.40	84.45	551.45
IV EXPENSES				
(a) Cost of materials consumed	73.81	100.19	35.18	268.74
(b) Employee benefit expense	29.60	36.11	26.87	116.33
(c) Finance costs	1.26	0.86	0.94	3.70
(d) Depreciation and amortization expense	16.39	14.44	13.78	52.12
(e) Allowance for expected credit loss	1.16	9.80	4.02	14.80
(f) Other expenses	22.07	25.47	13.42	73.24
Total Expenses (IV)	144.29	186.87	94.21	528.93
V Profit/(Loss) before tax (III - IV)	8.34	18.53	(9.76)	22.52
VI Income tax expense/(benefit)				
(1) Current tax expense/(benefit)	1.44	-	-	-
(2) Deferred tax expense/(benefit)	(0.65)	(15.02)	-	(15.02)
Total tax expense/(benefit)	0.79	(15.02)	-	(15.02)
VII Profit/(Loss) after tax (V - VI)	7.55	33.55	(9.76)	37.54
VIII Other comprehensive income/(loss)				
Items that will not be reclassified to profit or loss				
Remeasurements of the defined benefit obligation	0.05	1.31	(0.05)	2.21
Income tax relating to above	(0.01)	-	-	-
Items that will be reclassified to profit or loss				
Exchange differences on translation of foreign operations	0.01	(0.12)	0.00	(0.19)
IX Total comprehensive income/(loss) for the period (VII + VIII)	7.60	34.74	(9.81)	39.56
X Earnings/(Loss) per equity share				
Equity shares of par value Rs. 10 each				
(1) Basic	0.81	3.61	(1.06)	4.05
(2) Diluted	0.78	3.49	(1.06)	3.99

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for identification purpose.



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Notes

- The Statement of consolidated financial results includes the results of Tejas Networks Limited ('the Company' or 'the Holding Company') and the following subsidiary/ step down subsidiary (collectively referred as 'the Group' hereinafter):
 - Tejas Communication Pte. Limited, Singapore
 - Tejas Communication (Nigeria) Limited
- These consolidated financial results of the Group have been prepared in accordance with Companies (Indian Accounting Standard) Rules, 2015 (as amended) ['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)
- The Group's operations comprise of only one segment viz. Networking equipment.

4 Summary of key standalone financial results of the Company is as follows:

(Rs. in crore)

Particulars	Quarter ended	Quarter ended	Quarter ended	Year ended
	June 30, 2021	March 31, 2021	June 30, 2020	March 31, 2021
Revenues from operations	144.07	201.16	78.73	524.49
Profit/(Loss) before tax	8.27	18.40	(9.88)	22.27
Profit/(Loss) after tax	7.48	33.42	(9.88)	37.29

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.

- In July 2017, Income Tax Department initiated proceedings under section 132 of the Income Tax Act, 1961 for assessment years 2012-13 to 2018-19. During the year 2019-20 and 2020-21 certain other agencies sent notices as part of their preliminary inquiries, which were duly responded / attended by the Company and its officials. In FY 2019-20, the assessments for AY 2012-13 to 2018-19 were carried out and the Company received Income Tax demands for Rs. 25.62 crore (after adjusting carry forward losses of earlier years) and Rs. 0.48 crore for AY 2017-18 and AY 2018-19, respectively. Pursuant to the Company's application for rectification of certain errors in the aforesaid orders, during the quarter ended September 30, 2020, the Company received rectification orders for AY 2012-13 to AY 2018-19 under section 154 of the IT Act. Certain brought forward losses which were not considered in the earlier demand orders were allowed and other computation errors were corrected in the rectification orders resulting in a cumulative net refund position. The Company has also filed appeal against the orders for the aforementioned assessment years disputing certain disallowances. The Company is of the view that the outcome of these proceedings/ notices has no material adverse impact on the Company's financial results.
- During FY 2018-19 and 2019-20, the Company received demand orders for amount of Rs. 42.92 crore towards additional duty and penalty from the Customs Excise and Service Tax Appellate Tribunal (CESTAT) on the applicability of excise duty on software used in the multiplexer products pertaining to FY 2002-03 to FY 2009-10. Further, an additional penalty on certain officers of the Company amounting to Rs.0.90 crore was raised. The Company has filed a stay application before the Honourable Supreme Court and has also filed an appeal before CESTAT. The Company had in earlier years also received show cause notices amounting to Rs. 3.01 crore for FY 2010-11 to FY 2013-14 on a similar matter. Based on an assessment, supported by an external legal opinion, Management has concluded that the Company has a strong case to defend its position in the above matters and accordingly, no provision has been made in these financial results.
- The Company has, at various grant dates issued Restricted Stock Units (RSUs) 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. For the quarter ended June 30, 2021, an amount of Rs. 1.79 crore (June 30, 2020: Rs. 1.70 crore) has been recorded as employee share expenses based on requirements in Ind AS 102, 'Share-based payments'. The RSUs granted and outstanding as at June 30, 2021, aggregates to 18,23,490 (June 30, 2020: 14,48,392).
 - The Company has, at various grant dates in the earlier years issued stock options under different Employee Stock Option Plans to its employees at different exercise prices. For the quarter ended June 30, 2021, an amount of Rs. NIL (June 30, 2020: Rs. 0.04 crore) has been recorded as employee share expenses based on requirements in Ind AS 102, 'Share-based payments'.

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8 As at June 30, 2021, the Company has overdue trade receivables (i.e. due for more than 180 days from the due date for payment), aggregating to Rs. 80.67 crore (March 31, 2021: Rs. 91.19 crore) (net of provision) from public sector customers (including from BSNL for Bharatnet project). Management has taken the necessary steps to expedite collections from the concerned customers. Having regard to the good past history of collections from such customers, Management believes that the aforesaid net receivables as at June 30, 2021 are fully recoverable and hence no additional allowances for credit losses are considered necessary.

9 Impact of COVID-19 Pandemic

The spread of COVID-19 has severely impacted businesses around the globe. The situation is constantly evolving and Governments in certain states imposed various restrictions with the increase in number of COVID 19 cases during the quarter ended June 30, 2021. The Company has considered various internal and external information available up to the date of approval of financial results in assessing the impact of COVID-19 pandemic on the financial results for the quarter ended June 30, 2021.

During the quarter, uncertainties caused by the pandemic has resulted in some delays in customer payments and new orders. Management expects potential delays in executing the orders-in-hand, due to an increase in lead-time for sourcing semiconductor components. Based on current assessment, management is of the view that some uncertainty is likely to continue for the next few quarters, till large scale vaccination happens around the world and the demand-supply situation in the semiconductor component industry stabilizes.

The Company does not have borrowings as at quarter end and in the view of the management, there is no significant impact on the immediate liquidity position of the company based on management's evaluation of future cash flows for the next one year. As at June 30, 2021, management has made an assessment of the recoverability of carrying values of Property, Plant and Equipment, Intangible assets, Inventories and Financial assets. Management has taken into account all possible impact of known events arising from COVID-19 pandemic in making this assessment and has concluded that no further adjustments are considered necessary.

Assessing the impact of COVID-19 is however a continuing process given the uncertainties associated with its nature and duration. The Company will continue to closely monitor any material changes to future economic conditions.

10 Other income includes interest on income tax refunds of Rs. 0.79 crore for the quarter ended June 30, 2021 (quarter ended March 31, 2021: Rs. 0.16 crore).

11 The figures for the quarter ended March 31, 2021 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.

12 Previous period's figures have been regrouped/reclassified where necessary, to conform with the current period's presentation for the purpose of comparability.

13 The above statement of consolidated 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 July 21, 2021.

For and on behalf of the Board of Directors

Sanjay Nayak
CEO and Managing Director
(DIN: 01049871)

Place: Bengaluru
Date: July 21, 2021

