

Price Waterhouse Chartered Accountants LLP

Independent Auditors' Review Report on the Statement of Standalone 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, 18,
Konnapana Agrahara Village,
Begur Hobli, Bengaluru - 560100

1. We have reviewed the standalone unaudited financial results of Tejas Networks Limited (the "Company") for the quarter and nine months ended December 31, 2021, which are included in the accompanying 'Statement of Standalone Unaudited Financial Results for the quarter and nine months ended December 31, 2021' together with the notes thereon (the "Standalone Statement"). The Standalone Statement has been prepared by the Company pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations, 2015"), which has been initialled by us for identification purposes.
2. This Standalone Statement, which is the responsibility of the Company's Management and approved by the 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 Standalone Statement based on our review.
3. We conducted our review of the Standalone 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 Standalone 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. Based on our review conducted as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the Standalone 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, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.



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: Sucheta Bhawan, 11A Vishnu Digambar Marg, New Delhi 110 002

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5. We draw your attention to the following:

- a) Note 10 to the Standalone Statement regarding overdue trade receivables (due for more than 180 days from the due date for payment) from public sector customers, aggregating to Rs. 85.73 crores (net of provision of Rs. 36.09 crores) as at December 31, 2021. The Company'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 December 31, 2021.
- b) Note 5 to the Standalone Statement which explains the uncertainties and the management's assessment of the financial impact due to supply constraints 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 conclusion is not modified in respect of these matters.

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



Mohan Danivas S A

Partner

Membership Number: 209136

UDIN: 22209136AAAAAH8148

Place: Bengaluru

Date: January 19, 2022



Tejas Networks Limited

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Statement of Standalone Unaudited Financial Results for the quarter and nine months ended December 31, 2021

Particulars	(Rs in crore except per data share)					
	Quarter ended December 31, 2021	Quarter ended September 30, 2021	Quarter ended December 31, 2020	Nine months ended December 31, 2021	Nine months ended December 31, 2020	Year ended March 31, 2021
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
I Revenue from operations	107.04	172.53	134.71	423.64	323.33	524.49
II Other Income (Refer Note - 11)	16.39	4.09	8.55	28.86	20.96	24.81
III Total income (I + II)	123.43	176.62	143.26	452.50	344.29	549.30
IV EXPENSES						
(a) Cost of materials consumed	68.37	92.60	74.40	234.78	168.55	268.74
(b) Employee benefit expense	29.65	30.45	26.11	87.12	75.65	109.57
(c) Finance costs	0.73	0.85	0.85	2.81	2.75	3.58
(d) Depreciation and amortization expense	20.22	18.28	12.06	54.89	37.68	52.12
(e) Allowance for expected credit loss	12.97	5.14	1.80	19.27	5.00	12.49
(f) Other expenses	24.15	26.15	18.80	74.87	50.79	80.53
Total expenses (IV)	156.09	173.47	134.02	473.74	340.42	527.03
V Profit/(Loss) before tax (III - IV)	(32.66)	3.15	9.24	(21.24)	3.87	22.27
VI Income tax expense/(benefit)						
(1) Current tax expense/(benefit)	(11.21)	0.19	-	(9.58)	-	-
(2) Deferred tax expense/(benefit)	2.60	(0.52)	-	1.43	-	(15.02)
Total tax expense/(benefit)	(8.61)	(0.33)	-	(8.15)	-	(15.02)
VII Profit/(Loss) after tax (V - VI)	(24.05)	3.48	9.24	(13.09)	3.87	37.29
VIII Other comprehensive income/(loss)						
Items that will not be reclassified to profit or loss						
Remeasurements of the defined benefit obligation	(0.50)	(1.90)	0.20	(2.35)	0.90	2.21
Income tax relating to above	0.09	0.33	-	0.41	-	-
Total comprehensive income/(loss) for the period (VII + VIII)	(24.46)	1.91	9.44	(15.03)	4.77	39.50
IX Earnings/(Loss) per equity share						
Equity shares of par value Rs. 10 each						
(1) Basic	(2.11)	0.36	1.00	(1.28)	0.42	4.03
(2) Diluted	(2.11)	0.28	0.97	(1.28)	0.41	3.96



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Notes

1 These financial results 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) Regulations, 2015 (as amended) ['Listing Regulations'].

2 The Company's operations comprise of only one segment viz. Networking equipment.

3 Appointment of Directors:

In its meeting today, the Board, on recommendation of the Nomination and Remuneration Committee, has appointed Mr. N. Ganapathy Subramaniam and Mr. Amur S. Lakshminarayanan as Nominee Directors from Panatone Finvest Limited, a subsidiary of Tata Sons Private Limited. The said appointment is subject to the approval of shareholders.

4 Issue of Equity shares and Warrants through Preferential allotment

During the quarter ended September 30, 2021, the Company made preferential allotment, based on the approval of the Board of Directors on September 8, 2021 as follows:

- 1,93,79,845 equity shares, having face value of Rs. 10/- each, at a price of Rs. 258 per Equity Share, aggregating to Rs. 500 crore ("Subscription Shares");
- 3,68,21,706 warrants, each carrying a right to subscribe to 1 (one) equity share at an exercise price of Rs. 258 per equity share aggregating to Rs. 950 crore ("Series A Warrant Exercise Price"), which may be exercised in one or more tranches during the period commencing from the date of allotment of the warrants until expiry of 11 (eleven) months from the date of allotment of the warrants ("Series A Warrants"); and
- 1,55,03,876 warrants, each carrying a right to subscribe to 1 (one) equity share at an exercise price of Rs. 258 per equity share aggregating to Rs. 400 crore ("Series B Warrant Exercise Price"), which may be exercised in one or more tranches during the period commencing after the expiry of 12 (twelve) months from the date of allotment of the warrants until expiry of 18 (eighteen) months from the date of allotment of the warrants ("Series B Warrants");

on terms and conditions as determined by the Board in accordance with the SEBI (ICDR) Regulations and other applicable laws, and as set out in the share subscription agreement executed between the Company and the Panatone Finvest Limited (a subsidiary of Tata Sons Private Limited).

The Company on September 7, 2021 received a total amount aggregating to Rs. 837.50 crore, which includes exercise price on subscription shares amounting to Rs. 500 crore and 25% of the Series A Warrant and Series B Warrant amounting to Rs. 237.50 crore and Rs. 100 crore respectively. The balance 75% of the exercise price of Series A Warrant and Series B Warrant shall be payable at the time of allotment of equity shares pursuant to exercise of rights attached to Series A Warrant and Series B Warrant to subscribe to equity share. The amount paid against Series A Warrant and Series B Warrant shall be adjusted / set-off against the issue price for the resultant equity shares.

In view of substantial acquisition of securities, voting rights and control over the Company, Panatone Finvest Limited along with Akashastha Technologies Private Limited (a subsidiary of Panatone Finvest limited) and Tata Sons Private Limited made an Open Offer to acquire 4,02,55,631 fully paid-up equity shares at Rs. 258/- per equity share. The open offer tendering commenced on October 11, 2021 and ended on October 26, 2021. 2,592 equity shares were acquired through the open offer. Upon completion of the Open Offer, Panatone Finvest Limited is designated as promoter of the Company and Akashastha Technologies Limited and Tata Sons Private Limited as members of the Promoter Group of the Company.

5 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 and nine months ended December 31, 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 and nine months ended December 31, 2021.

During the period ended December 31, 2021, 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 the demand-supply situation in the semiconductor component industry stabilises.

The Company had capital infusion by way of issue of equity shares and share warrants during the period ended December 31, 2021 and the Company does not have borrowings as at quarter end. 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 December 31, 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 and supply constraints in making this assessment and has concluded that no further adjustments are considered necessary.

The above impact assessment 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.

6 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.

7 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.





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- 8 a) 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 December 31, 2021, an amount of Rs. 3.50 crore (December 31, 2020: Rs. 1.41 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 December 31, 2021, aggregates to 17,76,901 (December 31, 2020: 12,79,185).
- b) 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 December 31, 2021, an amount of Rs. NIL (December 31, 2020: Rs. 0.73 crore) has been recorded as employee share expenses based on requirements in Ind AS 102, 'Share-based payments'.
- 9 The Company has from time to time in the normal course of business entered into factoring agreements on a non-recourse basis with bankers/factoring institution for some of the trade receivables. As at December 31, 2021 the trade receivables do not include receivables amounting to Rs. 36.93 crore (December 31, 2020: Rs. 9.56 crore) which have been derecognized in accordance with Ind AS 109, 'Financial Instruments', pursuant to such factoring arrangements entered in the current quarter.
- 10 As at December 31, 2021, the Company has overdue trade receivables (i.e. due for more than 180 days from the due date for payment), aggregating to Rs. 85.73 crore (March 31, 2021: Rs. 91.19 crore) [net of provision of Rs. 36.09 crore (March 31, 2021: Rs. 27.98 crore)] 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 December 31, 2021 are fully recoverable and hence no additional allowances for credit losses are considered necessary.
- 11 Other income includes interest on income tax refunds of Rs. 0.61 crore for the quarter ended December 31, 2021 (quarter ended September 30, 2021: Rs. 0.93 crore; quarter ended December 31, 2020: 4.74 crores).
- 12 Previous period's figures have been regrouped/reclassified where necessary, to conform with current period's presentation for the purpose of comparability.
- 13 The above statement of standalone 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 19, 2022.

Place: Bengaluru
Date: January 19, 2022



For and on behalf of the Board of Directors


Sanjay Nayak
CEO and Managing Director
(DIN: 01049871)

