

# Price Waterhouse Chartered Accountants LLP

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

## Independent Auditors' Report on Review of Interim standalone results for the quarter ended June 30, 2019

1. We have reviewed the unaudited financial results of Tejas Networks Limited (the "Company") for the quarter ended June 30, 2019, which are included in the accompanying 'Statement of Standalone Unaudited Financial Results for the quarter ended June 30, 2019' 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 as amended (the "Listing Regulations, 2015"), which has been initialled by us for identification purposes. This 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 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  
UDIN: 19039985AAAAAS7351

Place: Bengaluru  
Date: July 24, 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 ended June 30, 2019

(Rs. in crore except per share data)

Particulars	Quarter ended	Quarter ended	Quarter ended	Year ended
	June 30, 2019	March 31, 2019	June 30, 2018	March 31, 2019
	Unaudited	Refer Note 8	Unaudited	Audited
I Revenue from operations	160.56	271.91	235.41	894.03
II Other Income	7.05	6.97	9.72	36.64
<b>III Total income (I + II)</b>	<b>167.61</b>	<b>278.88</b>	<b>245.13</b>	<b>930.67</b>
<b>IV EXPENSES</b>				
(a) Cost of materials consumed	93.82	145.50	111.62	463.70
(b) Employee benefit expense	24.90	32.08	31.04	117.60
(c) Finance costs	3.41	5.03	3.17	16.88
(d) Depreciation and amortization expense	17.59	17.45	17.20	65.88
(e) Other expenses	17.76	41.77	30.34	117.14
<b>Total expenses (IV)</b>	<b>157.48</b>	<b>241.83</b>	<b>193.37</b>	<b>781.20</b>
<b>V Profit before tax (III - IV)</b>	<b>10.13</b>	<b>37.05</b>	<b>51.76</b>	<b>149.47</b>
<b>VI Income tax expense</b>				
(1) Current tax	2.20	3.04	11.61	19.63
(2) Deferred tax expense/(benefit)	2.16	(1.85)	(5.00)	(16.85)
<b>Total tax expense</b>	<b>4.36</b>	<b>1.19</b>	<b>6.61</b>	<b>2.78</b>
<b>VII Profit after tax (V - VI)</b>	<b>5.77</b>	<b>35.86</b>	<b>45.15</b>	<b>146.69</b>
<b>VIII Other comprehensive income</b>				
Items that will not be reclassified to profit or loss				
Remeasurements of the defined benefit obligation	(0.05)	(1.61)	(0.07)	(2.20)
Income tax relating to above	0.01	0.35	0.02	0.48
<b>IX Total comprehensive income for the period (VII + VIII)</b>	<b>5.73</b>	<b>34.60</b>	<b>45.10</b>	<b>144.97</b>
<b>X Earnings per equity share</b>				
<b>Equity shares of par value Rs. 10 each</b>				
(1) Basic	0.63	3.91	4.97	16.07
(2) Diluted	0.60	3.78	4.71	15.33





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Notes

(Rs. in crore except share data)

- 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 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 previous years, 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 financial results.
- 4 In July, 2018, the Company has received an Order from Customs, Excise and Service Tax Appellate Tribunal ('CESTAT') with respect to applicability of excise duty on the software used as part of the Multiplexer products sold 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 with associated demand of Rs. 11.87 and various show cause notices on the similar matter received in different earlier financial years with associated demands aggregating to Rs. 24.88. 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. The Company has also received show cause notices from the Department of Central Excise in respect of financial years 2010-11 to 2013-14 on the similar matter amounting to Rs. 3.01 which are not part of the Order.
- 5 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 June 30, 2019, an amount of Rs. 2.96 (June 30, 2018: Rs. 4.43) has been recorded as employee share expenses based on accounting as per Ind AS 102, 'Share-based payments'. The RSUs granted and outstanding as at June 30, 2019, aggregates to 16,50,552 (June 30, 2018: 8,98,340).  
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 June 30, 2019, an amount of Rs. 0.20 (June 30, 2018: Rs. 0.88) has been recorded as employee share expenses based on accounting as per Ind AS 102, 'Share-based payments'.
- 6 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 June 30, 2019 the trade receivables does not include receivables amounting to Rs. 21.17 (June 30, 2018: Rs. 76.77) which have been derecognised in accordance with Ind AS 109 - Financial Instruments, pursuant to such factoring agreements.
- 7 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. The Company has also 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.
- 8 The figures for the quarter ended March 31, 2019 are the balancing figures between the audited figures for the full financial year and the published unaudited year to date figures for the third quarter ended December 31, 2018 which were subjected to review by the statutory auditors.
- 9 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. This proposed final dividend is subject to the approval of shareholders in the ensuing general meeting.
- 10 Effective April 1, 2019, the Company has adopted Ind AS 116, 'Leases'. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise Right-of-use assets and lease liabilities for all leases with a term of more than twelve months, unless the underlying asset is of a low value. The Company has used the 'modified retrospective approach' for transition from Ind AS 17, 'Leases'. Therefore, the comparative information for the prior periods have not been restated. On transition, the Company has recorded the lease liabilities at the present value of future lease payments discounted using the incremental borrowing rate. The adoption of Ind AS 116 has resulted in recognition of Right-of-use assets of Rs. 22.65 and 'lease liabilities of Rs. 29.09 on the transition date. Cumulative effect of adoption of Ind AS 116 has been recognised by debiting retained earnings by Rs. 4.69 (net of deferred tax impact). In the financial results for the quarter ended June 30, 2019, the nature of expense for leasing arrangements has changed from lease rent in previous periods to depreciation on the Right-of-use assets and finance cost on the corresponding lease liabilities. The adoption of Ind AS 116 did not have a material impact on the results for the quarter.
- 11 Previous period's figures have been regrouped/reclassified where necessary, to conform with the current period's presentation for the purpose of comparability.
- 12 The above statement of standalone financial results and 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 July 24, 2019.

For and on behalf of the Board of Directors

  
Sanjay Nayak  
CEO and Managing Director  
(DIN: 01049871)



Place: Bengaluru  
Date: July 24, 2019