

Price Waterhouse Chartered Accountants LLP

Independent Auditor's Review Report on the unaudited standalone results

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

1. We have reviewed the unaudited standalone financial results of Tejas Networks Limited (the "Company") for the quarter ended September 30, 2019 which are included in the accompanying 'Statement of Unaudited Standalone Financial Results for the quarter and six months ended September 30, 2019', the unaudited standalone statement of assets and liabilities as on that date, the unaudited standalone statement of cash flows for the half-year ended on that date and the Notes thereon (together referred to as 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 of the Statement 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. 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.
3. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying 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.



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4. We were neither engaged to review, nor have we reviewed the comparative figures for the statement of cash flows for the period April 1, 2018 to September 30, 2018 and accordingly, we do not express any conclusion on the cash flows presented in the Statement for the period from April 1, 2018 to September 30, 2018. As set out in note 9 to the Statement, these figures have been furnished by the Management. Our conclusion on the statement is not modified in respect of this matter.

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016



Pradip Kanakia

Partner

Membership Number: 039985

UDIN: 19039985AAAABQ3117

Place: Bengaluru

Date: October 23, 2019



Tejas Networks Limited

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Statement of Unaudited Standalone Financial Results for the quarter and six months ended September 30, 2019

(Rs. in crore except per share data)

Particulars	Quarter ended	Quarter ended	Quarter ended	Six months ended	Six months ended	Year ended
	September 30, 2019	June 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	March 31, 2019
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
I Revenue from operations	85.76	160.56	205.61	246.32	441.02	894.03
II Other Income	6.89	7.05	10.80	13.94	20.52	36.64
III Total income (I + II)	92.65	167.61	216.41	260.26	461.54	930.67
IV EXPENSES						
(a) Cost of materials consumed	35.22	93.82	111.22	129.04	222.84	463.70
(b) Employee benefit expense	21.38	24.90	28.35	46.28	59.39	117.60
(c) Finance costs	2.47	3.41	3.90	5.88	7.07	16.88
(d) Depreciation and amortization expense	18.24	17.59	15.04	35.83	32.24	65.88
(e) Other expenses	21.73	17.76	20.98	39.49	51.32	117.14
Total expenses (IV)	99.04	157.48	179.49	256.52	372.86	781.20
V Profit/(Loss) before tax (III - IV)	(6.39)	10.13	36.92	3.74	88.68	149.47
VI Income tax expense						
(1) Current tax	(1.54)	2.20	7.91	0.66	19.52	19.63
(2) Deferred tax expense/(benefit)	(1.55)	2.16	(5.00)	0.61	(10.00)	(16.85)
Total tax expense	(3.09)	4.36	2.91	1.27	9.52	2.78
VII Profit/(Loss) after tax (V - VI)	(3.30)	5.77	34.01	2.47	79.16	146.69
VIII Other comprehensive income/(loss)						
Items that will not be reclassified to profit or loss						
Remeasurements of the defined benefit obligation	0.24	(0.05)	(0.32)	0.19	(0.39)	(2.20)
Income tax relating to above	(0.01)	0.01	0.06	-	0.08	0.48
Total comprehensive income/(loss) for the period (VII + VIII)	(3.07)	5.73	33.75	2.66	78.85	144.97
X Earnings/(Loss) per equity share						
Equity shares of par value Rs. 10 each						
(1) Basic	(0.36)	0.63	3.73	0.27	8.69	16.07
(2) Diluted	(0.36)	0.60	3.53	0.26	8.24	15.33

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Unaudited Standalone Statement of Assets and Liabilities as at September 30, 2019

Particulars	(Rs. in crore)	
	As at	As at
	September 30, 2019	March 31, 2019
	Unaudited	Audited
ASSETS		
Non-current assets		
Property, plant and equipment	29.19	30.68
Right-of-use assets	23.94	-
Intangible assets	63.35	68.44
Intangible assets under development	60.31	41.38
Investments in subsidiaries	10.87	10.87
Financial assets		
Investments*	0.00	0.00
Trade receivables	41.28	42.81
Loans	5.54	4.35
Other financial assets	0.04	0.12
Income Tax Asset (net)	43.71	36.93
Deferred Tax Assets	139.64	138.00
Other non-current assets	0.05	0.14
Total non - current assets	417.92	373.72
Current assets		
Inventories	258.22	181.39
Financial assets		
Investments	76.50	86.55
Trade receivables	552.47	607.39
Cash and cash equivalents	100.48	16.41
Bank balances other than above	56.72	106.15
Loans	1.28	0.79
Other financial assets	68.96	180.44
Other current assets	34.73	27.48
Total current assets	1,149.36	1,206.60
Total assets	1,567.28	1,580.32
EQUITY AND LIABILITIES		
Equity		
Equity share capital	95.39	94.99
Other equity	1,219.40	1,223.75
Total equity	1,314.79	1,318.74
Liabilities		
Non-current liabilities		
Financial liabilities		
Lease liabilities	24.89	-
Provisions	0.91	1.75
Total non - current liabilities	25.80	1.75
Current liabilities		
Financial liabilities		
Trade payables		
Total outstanding dues of micro enterprises and small enterprises	25.19	26.83
Total outstanding dues of creditors other than micro enterprises and small enterprises	132.03	137.03
Lease liabilities	5.73	-
Other financial liabilities	48.30	78.41
Provisions	9.72	8.14
Other current liabilities	5.72	9.42
Total current liabilities	226.69	259.83
Total liabilities	252.49	261.58
Total equity and liabilities	1,567.28	1,580.32

* Amount below the rounding off norm adopted by the Company

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Unaudited Standalone Statement of Cash Flows for six months ended September 30, 2019

Particulars	(Rs. in crore)		
	Six months ended September 30, 2019	Six months ended September 30, 2018	Year ended March 31, 2019
	Unaudited	Unaudited	Audited
Cash flows from operating activities			
Profit before tax	3.74	88.68	149.47
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation and amortization expense	35.83	32.24	65.88
Provision for doubtful trade and other receivables (net)	2.59	3.25	5.17
Bad Debts written off	-	-	0.57
Provision for doubtful debts released	-	-	(0.57)
Focus Product Scheme receivable written off	-	4.45	4.45
Provision for Focus Product Scheme receivable released	-	(1.28)	(1.28)
Provision for doubtful advances	-	-	0.09
Investment in subsidiaries written off	-	-	54.33
Provision for investment in subsidiaries released	-	-	(54.33)
Interest Income	(6.39)	(15.87)	(27.74)
(Gain)/Loss on current investment carried at fair value through statement of profit and loss	0.18	(0.09)	(0.32)
(Gain)/Loss on sale of current investment carried at fair value through statement of profit and loss	(2.21)	(1.57)	(4.15)
Finance costs recognized in profit or loss	5.88	7.07	16.88
Unrealised Exchange Difference (Net)	(1.15)	(6.07)	0.66
Loss/ (profit) on sale of property, plant and equipment	(0.02)	0.04	0.03
Expense recognized in respect of equity-settled share-based payments	6.83	7.80	15.10
	45.28	118.65	224.24
Movements in working capital:			
(Increase)/decrease in inventories	(76.83)	25.49	9.50
(Increase)/decrease in trade receivables	55.21	(187.43)	(360.25)
(Increase)/decrease in loans	(1.59)	0.01	0.76
(Increase)/decrease in other financial assets	0.87	(2.40)	(8.36)
(Increase)/decrease in other assets	(7.16)	0.84	(6.59)
Increase/(decrease) in trade and other payables	(6.84)	26.86	57.31
Increase/(decrease) in provisions	0.71	2.17	(0.34)
Increase/(decrease) in other financial liabilities	(25.11)	0.37	26.55
Increase/(decrease) in other liabilities	(3.70)	(1.31)	(0.26)
Cash generated from operations	(19.16)	(16.75)	(57.44)
Income taxes paid	(7.44)	(16.36)	(24.05)
a) Net cash generated from/(used in) operating activities	(26.60)	(33.11)	(81.49)
Cash flows from investing activities			
Expenditure on property, plant and equipment	(9.83)	(2.72)	(8.82)
Expenditure on intangible assets (including under development)	(40.82)	(33.56)	(71.50)
Sale proceeds of property, plant and equipment	0.03	0.05	0.07
Investment in Deposits with banks and financial institutions not considered as cash and cash equivalents	(28.62)	(357.51)	(636.41)
Withdrawal in Deposits with banks and financial institutions not considered as cash and cash equivalents	183.13	169.20	596.94
Investment in liquid mutual funds and fixed maturity plan securities	(465.25)	(311.80)	(776.34)
Redemption of liquid mutual funds and fixed maturity plan securities	477.33	379.27	770.78
Interest received	11.91	6.06	20.89
b) Net cash generated from/(used in) Investing activities	127.88	(151.01)	(104.39)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company	2.33	4.41	6.77
Dividend paid (including Tax on dividend)	(11.08)	-	-
Repayment of borrowings	-	-	(1.08)
Payment of lease liabilities	(4.28)	-	-
Interest paid	(4.18)	(7.07)	(16.88)
c) Net cash generated from/(used in) financing activities	(17.21)	(2.66)	(11.19)
d) Net increase/(decrease) in cash and cash equivalents	84.07	(186.78)	(197.07)
Cash and cash equivalents at the beginning of the period	16.41	213.48	213.48
Cash and cash equivalents at the end of the period	100.48	26.70	16.41

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Tejas Networks Limited

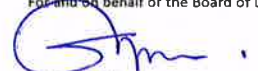
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Notes

(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) and in March 2018, has also sent a show cause notice to the company under Section 276(C). 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. During the current quarter, the Company has received notices from the Income Tax Department u/s 142(1) of the IT Act to furnish accounts and documents in respect of assessment years 2012-13 to 2017-18. Post the ongoing proceedings initiated by the Income Tax department, certain other agencies sent notices as part of their preliminary inquiries, which was duly responded by the Company and its officials. The Company is of the view that the outcome of these proceedings/summons/notices 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 September 30, 2019, an amount of Rs. 3.52 (September 30, 2018: Rs. 1.97) 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 September 30, 2019, aggregates to 17,10,233 (September 30, 2018: 9,46,490).
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 September 30, 2019, an amount of Rs. 0.15 (September 30, 2018: Rs. 0.52) 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 September 30, 2019 the trade receivables does not include receivables amounting to Rs. 56.73 (March 31, 2019: Rs. 57.85) which have been derecognised in accordance with Ind AS 109 - Financial Instruments, pursuant to such factoring arrangement entered in the current quarter.
- 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 for more than 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 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 September 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 ended September 30, 2019.
- 9 The comparative figures for cash flows for the six months ended September 30, 2018 included in the 'Unaudited Standalone Statement of Cash flows for the six months ended September 30, 2019' have been reviewed by the Audit Committee of the Company and approved by the Company's Board of Directors at their respective meetings held on October 23, 2019, but have not been subjected to review by the statutory auditors as the mandatory requirement for limited review of cash flows has been made applicable for periods beginning April 1, 2019, pursuant to Regulation 33(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
- 10 Previous period's figures have been regrouped/reclassified where necessary, to conform with the current period's presentation for the purpose of comparability.
- 11 The above statement of standalone financial results, statement of assets and liabilities and statement of cash flows 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 October 23, 2019.

For and on behalf of the Board of Directors


Sanjay Nayak
CEO and Managing Director
(DIN: 01049871)



Place: Bengaluru
Date: October 23, 2019

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