

# POWERING GLOBAL DATA AND BROADBAND NETWORKS

Annual Report 2020-21



# Table of Contents

## Table of Contents

Corporate Overview	3-43
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### Statutory Reports

Board's Report and Annexures	44-75
Management's Discussion and Analysis	76-90
Corporate Governance Report	91-109
Shareholders' Information	110-114
Risk Management Report	115-118
Business Responsibility Report	119-124

### Financial Statements

Standalone Financial Statements	125-168
Consolidated Financial Statements	169-212

### Forward-looking Statements

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.



# About Us

## OUR VISION

To build a pioneering, innovation-driven, global networking product company.

## OUR MISSION

To innovate leading-edge, yet pragmatic, telecommunications products and solutions that provide the highest value to our customers world-wide.

## OUR FOCUS

As a leading global optical, broadband and data networking products company, our focus on deep technology and R&D has enabled us to power the broadband networks of telecommunications service providers, utilities, defence and government entities the world over.

### REVENUES\*

₹ 515 Cr

### PAT

₹ 38 Cr

### BASIC EPS (par value ₹10 each)

₹ 4.05

### CASH & CASH EQUIVALENTS

₹ 364 Cr

Financial information are based on consolidated financials  
\* Net of taxes and component sales

# Snapshot of FY 2020-21

Based on Ind AS Consolidated Financial Statements

In ₹ Crore

Particulars	FY 2021	FY 2020	Change(%)
<b>Financial Performance</b>			
Revenue (net of taxes and component sales)	514.82	379.79	36
Gross Profit	212.13	135.24	57
Operating profit/(loss) after depreciation & before impairment	2.81	(94.63)	103
Operating profit/(loss) after depreciation & impairment	2.81	(164.50)	102
Profit/(Loss) before tax	22.52	(138.57)	116
Profit/(Loss) after tax	37.54	(237.12)	116
EPS (par value of ₹ 10 each) : Basic	4.05	(25.76)	116
Dilute	3.99	(25.76)	115
Particulars	FY 2021	FY 2020	Change
<b>Financial Position</b>			
Cash and cash equivalents <sup>(1)</sup>	364.43	280.27	84.16
Net current assets <sup>(2)</sup>	447.38	535.17	(87.79)
Fixed assets (including assets under development) <sup>(3)</sup>	119.40	84.35	35.05
Total Assets	1,311.88	1,241.15	70.73
Total Equity	1,134.20	1,080.94	53.26
Net cash generated from operations	157.65	0.61	157.04
Free cash inflow/(outflow)	75.13	(92.16)	167.29
DSO (days)	259	382	(123)
DPO (days)	115	117	(2)
Inventory (days)	134	211	(77)
Net Working capital (days)	281	452	(171)

<sup>(1)</sup> Cash and cash equivalents include fixed deposits under other bank balances, deposits with financial institutions and investment in mutual funds.

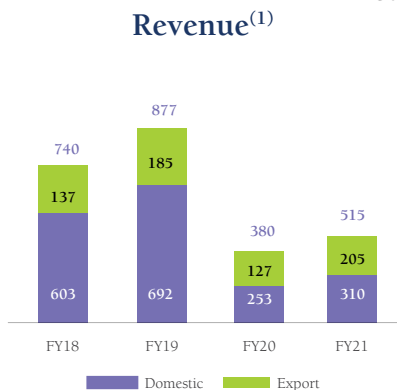
<sup>(2)</sup> Excluding the current assets considered in cash and cash equivalents.

<sup>(3)</sup> Excludes right of use assets.

# Financial Trends

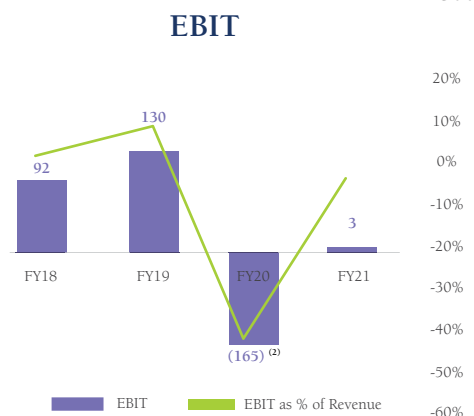
Revenue<sup>(1)</sup>

In ₹ Crore



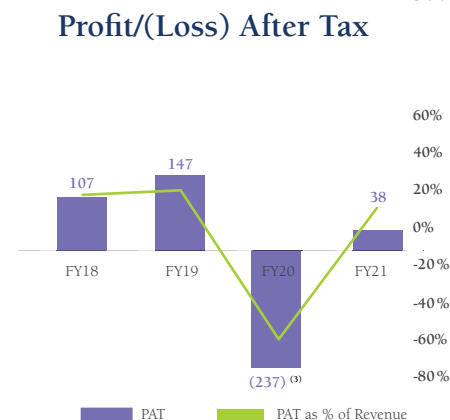
EBIT

In ₹ Crore



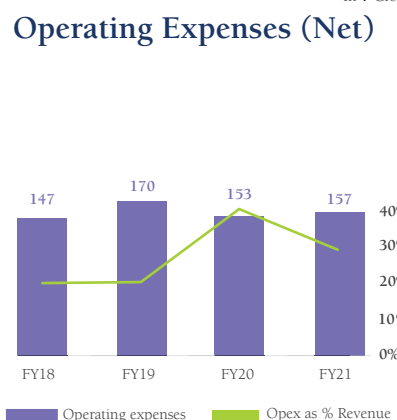
Profit/(Loss) After Tax

In ₹ Crore



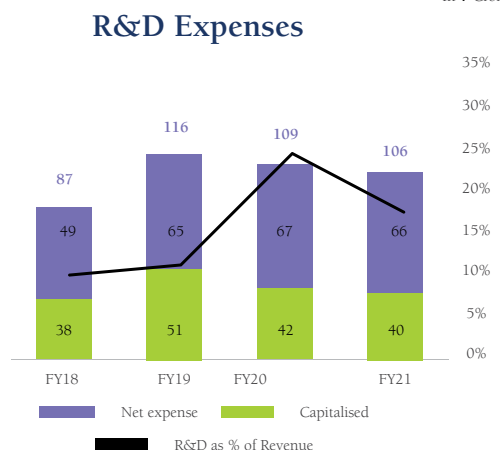
Operating Expenses (Net)

In ₹ Crore



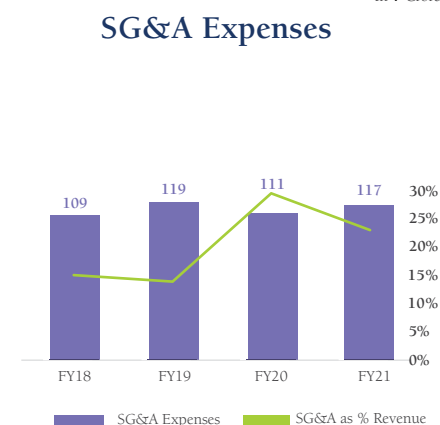
R&amp;D Expenses

In ₹ Crore



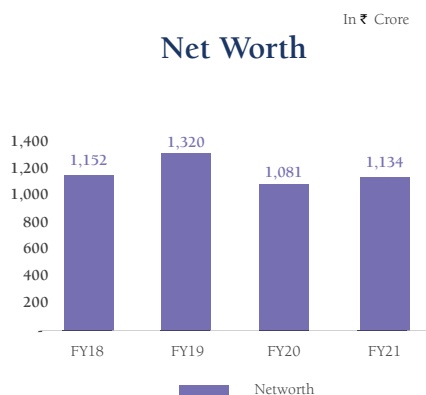
SG&amp;A Expenses

In ₹ Crore



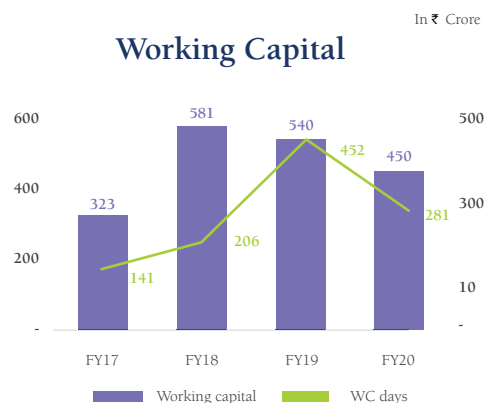
Net Worth

In ₹ Crore

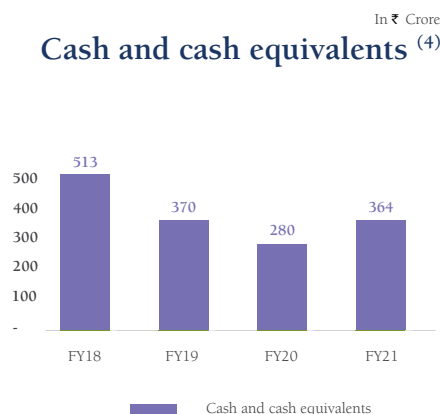


Working Capital

In ₹ Crore

Cash and cash equivalents<sup>(4)</sup>

In ₹ Crore

<sup>(1)</sup> Net of taxes and component sales.<sup>(2)</sup> Includes the impact of an impairment loss of ₹ 70 crore on intangible assets.<sup>(3)</sup> Includes the impact of an impairment loss of ₹ 70 crore on intangible assets and ₹ 99 crore of reversal of deferred tax assets.<sup>(4)</sup> Cash and cash equivalents include fixed deposits under other bank balances, deposits with financial institutions and investment in mutual funds.



# Chairman's Message



## Dear Shareholders,

It goes without saying that these are extraordinary times. Just as our hearts go out to everyone affected by Covid-19, we are grateful to all our first responders and medical professionals who are risking their lives to keep us safe. We are also grateful to all our employees who continued to deliver on our commitments to all stakeholders despite these challenging times.

FY 2021 was a year of paradoxes for the telecommunications industry. While the macro-economic environment and government restrictions posed severe challenges to our operations, the global movement towards digitisation with increased spending on network capacities by operators provided a strong tailwind to our business.

During the year, it became clear that a robust telecommunications infrastructure is an essential service for delivering connectivity to people, homes, offices, and governments, and which keeps our lives going on in as normal a way as possible. While it was always known that digitisation and a highly connected world were the way forward, COVID-19 fast-forwarded this transformation and increased the demand for reliable, high-bandwidth services. To deliver these high-bandwidth services, telecom and internet service providers need to make capital investments in optical transmission and fiber broadband access equipment, which is the focus area of your company.

I am happy to report that during FY 2021, your company showed a solid turnaround in financial performance with robust year-on-year growth in our revenues while we returned to profitability. We improved our performance on almost all financial parameters while continuing to be a zero-debt company.

As a deep-technology company, we continued our investments in R&D and maintained our focus on innovation to create globally competitive products. Since all our R&D manpower is located in India, we get a significant competitive cost advantage as compared to our global peers. Over the years, we have built a globally competitive portfolio of Software-Defined-Hardware products, which are well-positioned for building high-capacity optical backbone networks as well as high-speed broadband access networks. We have also invested in creating wireless access products based on the latest LTE technology, which is the base for 4G and 5G radio networks. We have seen a positive uptake in demand for our products and we believe that we are well-positioned to continue winning new customers and gaining market share in existing accounts.

Having created a strong portfolio of world-class products, it has been our endeavor to increase our market presence in other countries, that are upgrading and expanding their telecom networks. Over the past few years, we have increased our focus on international sales to tap the large global opportunity and to reduce our over-dependence on the Indian market by geographically diversifying our customer base. We are happy to report that during FY 2021, we significantly increased our international business, both on absolute levels as well as a percentage of our total revenues. Our sales investments and focus on Africa, South-East Asia, and the Americas are expected to continually grow our international business. What also helps is that many of the countries in emerging

markets have *India-like* needs, and our success in India serves as a strong reference in winning new customers in these markets.

With telecom networks becoming an integral part of our daily lives and increased connectivity of internet-of-things (IoT), there is heightened sensitivity around cyber-security globally and the need to build secured telecom networks. As a result, sourcing of trusted telecom equipment has now become a key geopolitical concern for many countries. With our products being deployed in over 75 countries, we have a great opportunity to become a trusted and reliable global source for leading-edge, yet cost-competitive telecom products.

As India's leading telecom equipment company with a focus on design-led manufacturing, we are fully capable of stepping up and becoming a leading source of designed-and-made-in India products for the world.

India continues to be one of the largest telecom markets in the world and is our home market, from which we get a majority of our revenues. While India has 13% of the world's telecom subscribers and is one of the biggest consumers of mobile data in the world, the capex spend by Indian telecom operators is disproportionately low and is only 5% of the global equipment spend. With an increased demand for highly reliable, high-speed home/office fiber-broadband connectivity, the impending 5G rollouts, and the stabilisation of competitive intensity amongst telcos, we expect a robust capex cycle in the years to come. During FY 2021, our India business grew healthily across both government and private segments.. We are well established as one of the leading suppliers of optical networking and broadband access equipment to private telcos as well as Government networks.

We are enthused by the Honourable Prime Minister of India's call to build an *Atmanirbhar Bharat* (self-reliant India) in critical areas of technologies such as telecom, which has long-term security as well as economic significance. We see a strong intent from the Government to promote products developed with Indian R&D and IPR and which are manufactured in India. We believe that supportive Government policies such as the Product Linked Incentive (PLI) Scheme, the mandate for all telecom service providers (both Government and private) to source only trusted telecom equipment, and further strengthening of Preference to Make in India (PMI) policy, clearly signals that the Government wants to make India a global telecom equipment manufacturing hub, especially in the light of the new geopolitical situation.

To conclude, we have the right product mix at competitive price points; great R&D team which continues to develop leading-edge technologies; highly favorable geopolitical situation where countries are seeking trusted telecom products; increased digital adoption driving increasing investments in network capacities, and more importantly, favorable Indian Government policies and intent. All these combined together set a great platform for our future growth.

On behalf of the Board of Directors of Tejas Networks, we thank the Government of India, the Government of Karnataka, and all Government agencies, Governments of various countries where we have business operations and we look forward to their continued support. We are grateful to our customers, employees, shareholders, suppliers, and bankers, all of whom have supported us during these challenging times.

I wish you all good health and inner strength to tide over these testing times.

Warm regards,

Bengaluru  
April 21, 2021

**Balakrishnan V**  
Chairman, Board of Directors



## CEO and MD's Statement

### Dear Shareholders,

Over the last 15 months, we witnessed the COVID-19 pandemic making an unprecedented impact on our lives. In this extraordinary situation, I am thankful to our employees and partners, who showed tremendous commitment and resolve, and ensured that our business continued smoothly and we could serve our customers without any interruptions. I sincerely appreciate their efforts and am grateful for their support.

During FY 2021, we delivered strong financial performance in terms of revenues and profitability growth, improvement in cash flows, and reduction in working capital.

The summary of our FY 2021 financial results is as follows:

- Consolidated revenue (net of taxes and component sales) was ₹ 514.8 crore (YoY growth of 35.6%).
- International revenues grew by 62% YoY (increased to 40% of total revenues).
- India revenues grew by 22% YoY (reduced to 60% of total revenues).
- Our order book at the end of the year was ₹ 679 crore (YoY booking growth of 54%).
- Profit After Tax improved to ₹ 37.5 crore (loss during the previous year).
- EPS of ₹ 4.05 (loss during the previous year).
- Cash and cash equivalents improved to ₹ 364 crore (YoY increase of 30%).
- Strong repeat business resulting in 86% of revenues from existing customers.

The growing adoption of work-from-home, learn-from-home, e-commerce, and high-bandwidth video applications will continue to drive the demand for data traffic on telecom networks.

While the ongoing Covid-19 pandemic may cause some near-term volatility in our business, the macro drivers of our business remain robust, given that telecommunications is a critical infrastructure that will be required to enable rapid digitisation of businesses and societies.

With increased fiberisation, both to homes (for home broadband) as well as to cell towers (for 4G and 5G backhaul), telecom service providers will be required to increase their capital investments in upgrading the capacity and reach of their access as well as backbone networks. We have highly competitive products to address this demand and we are well-positioned to capitalise on this investment cycle by our customers.

## India Business

In FY 2021, our India business grew by 22% YoY overall. Within that, we saw robust growth in the India-Government segment (48% YoY growth), led by business from the critical infrastructure segment. The India-private segment grew 15% YoY, and we secured new application wins in major telecom operators.

India is the 2nd largest telecom market in the world in terms of subscribers with a teledensity of over 87% (source: TRAI). A large number of Indians have a mobile phone and they have become the highest consumer of mobile data in the world with an average of over 12 GB of data per month. In contrast to mobile broadband, the penetration of fiber-based fixed broadband is very low at around 10 million subscribers, which is expected to grow to over 100 million over the next 3-4 years.

As Indians spend more time at home, embracing the hybrid work models, increased e-learning, and consuming high-resolution streaming video content, the demand for high-speed (10 Mbps upwards) home broadband is expected to grow at a very fast pace. Telecom and internet service providers are making significant investments to serve these quality-conscious subscribers, who can provide them high ARPU and profits. We are well-placed to serve this market segment with our GPON (Gigabit Passive Optical Network) products, having been selected as a vendor by major telecom operators in India. We expect this segment to contribute healthily to our revenues over the next few years.

To better serve their 4G customers today and 5G customers in the future, Indian telecom service providers will need to provide fiber-based connectivity from mobile towers, to be able to backhaul the large volume of data and thereby offer better quality of service. Currently, around 30% of cell towers in India are fiberised and this number is expected to increase over the next few years. Increased data consumption by wireless as well as wireline customers will require telecom service providers to upgrade the capacity of their metro and long-distance backbone networks. We are also addressing this segment, and we have been serving multiple major telecom operators in India with our DWDM and PTN products.

The India-government business, comprising BSNL/BharatNet and critical infrastructure segment (power, railways, oil & gas, smart cities, and defence) is a segment where we have a competitive advantage since it is covered under the Government's Preference to Make in India (PMI) policy. While there are many opportunities in this segment, the timing and fructification of these will depend on Government's plans to spend on these projects.

The Government's focus on *Atmanirbhar Bharat* in telecom is a welcome move, and we expect to benefit from various policies such as the Production Linked Incentive Scheme (PLI) scheme, which covers the products that we design and manufacture. In the wake of national security and geopolitical issues, the Government

of India has mandated all telecom and internet services providers to procure telecom equipment only from *trusted sources*. As India's leading domestic telecom equipment company, we believe that the Government policies will provide us with favourable tailwinds. We expect to play a larger role in the domestic telecom ecosystem.

## International Business

Over the last few years, we have made a conscious decision to increase our international sales focus to diversify our customer base and reduce our over-dependence on India business. We have established sales presence in South East Asia, Africa, Middle East, and North America, with local sales and support teams. These regions represent a large addressable market opportunity of over US\$9 billion per annum for our products. We are pleased to report that our international sales investments have started yielding results and on a YoY basis, our international revenues grew by 62%. As a result, the share of international revenues in FY 2021 grew to 40% of total revenues (up from 33% in FY 2020) and thereby also reducing our geographical dependence on India.

Globally, the impact of COVID has been to accelerate the adoption of high-speed fiber-based home broadband connections and increase network backbone capacities. In addition, the various geopolitical developments and security concerns are forcing telecom service providers to diversify their vendor base.

In the geographies that we have been operating in, we have been able to leverage our customer successes and establish ourselves as a credible alternate supplier, who can be trusted as a long-term partner.

Our Africa business grew by 63% last fiscal year and we are now an important supplier to many multi-country operators in Africa. We have strong customer references in this region which we are leveraging to grow our market share. Our South-East Asia business clocked a sales growth of over 366% last year. We had a notable win for a large converged network rollout (consisting of both wireline and wireless), which will serve as a good reference for more such customer wins. Our Americas business was slow during the year primarily due to the impact of COVID, which resulted in delays in field trials and reluctance of customers to change their incumbent suppliers.

We will continue to focus on increasing our wallet-share from our existing customers, by positioning a larger portfolio of our products and securing new application wins. We also plan to open up new sales regions such as Europe and CIS during the upcoming year.

## Technology Focus

Being in the technology business, we strongly believe that we need to continually invest in R&D and innovation to support the latest standards and strengthen the competitiveness of our products. During FY 2021, we spent 20.6% of our revenues on R&D (on a fully expensed basis), which places us amongst the Top-3 listed companies in India in terms of R&D spends as a percentage of revenues. Telecom equipment is increasingly becoming more differentiated by software, which is a sweet spot for your company since all our products are based on our Software-Defined-Hardware architecture. We continue to be a leading technology innovator in optical networking and broadband access, with 349 patent applications and a rich portfolio of 300+ semiconductor IPs.

We now have an end-to-end portfolio of optical products, from the core of the network to the access. Our TJ1600 family of products for high-capacity metro and long-distance networks is based on cutting-edge DWDM (Dense Wavelength Division Multiplexing) and OTN (Optical Transport Network) technology and can support up to 600 Gbps per wavelength. Our unique TJ1400 product is a converged platform for high-speed broadband access that uses GPON (Gigabit Passive Optical Network) technology for optical fiber-based services for residential and business customers, as well as LTE technology for Fixed Wireless Access (FWA) services. In addition, we have a rich set of Packet Transport Network (PTN) products and Ethernet switches for critical infrastructure buildouts.

Given the ongoing global semiconductor chip shortage and the increase in component lead times and higher costs, we have been taking advance inventory planning actions to address this situation. We are continually monitoring the situation and we hope to be able to weather these challenges in the coming year.

## Our People and Community

We take great pride in our ability to attract and nurture highly talented and skilled individuals across all functions in the organisation. Our team showed exemplary commitment and ensured business continuity and 24X7 technical support to our customers during Covid-19 pandemic lockdowns and despite regulatory restrictions.

As a responsible business, we support a wide range of societal initiatives of reputed partner organisations that positively influence the lives of people in our local communities. In FY 2021, we spent ₹ 97.5 lakh towards various Corporate Social Responsibility (CSR) projects.

I would like to extend my sincere appreciation to the Board of Directors for their continued guidance and support. I also wish to thank all stakeholders, including our employees, customers, and shareholders for their continued faith in the company, especially during these challenging times. I am optimistic about the opportunities that are ahead of us and I look forward to taking our company to greater heights and achieving many more successes in the years to come.

Warm regards,

Bengaluru  
April 21, 2021

**Sanjay Nayak**  
CEO and Managing Director

