August 09, 2021

Tejas Networks Limited- Update on Material Event; Ratings placed on watch with positive implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term / Short Term - Fund Based	90.00	90.00	[ICRA]A-%/[ICRA]A2+%; Placed on watch with positive implications
Long Term / Short Term - Non Fund Based	193.50	193.50	[ICRA]A-%/[ICRA]A2+%, Placed on watch with positive implications
Long Term / Short Term – Unallocated	276.36	276.36	[ICRA]A-%/[ICRA]A2+%, Placed on watch with positive implications
Total	**559.86**	**559.86**	

**Instrument details are provided in Annexure-1; % - Rating placed on watch with positive implications*

Rationale

Material Event

On July 29, 2021, Tejas Networks Limited (TNL) announced that it has executed definitive agreements with Panatone Finvest Limited (PFL), a subsidiary of Tata Sons Private Limited (TSPL) which will entail preferential allotment of 1.94 crore equity share aggregating to Rs. 500 crore, preferential allotment of 3.68 crore warrants (Series A warrants) aggregating to Rs. 950 crore and preferential allotment of 1.55 crore warrants (Series B warrants) aggregating to Rs. 400 crore. This is subject to shareholder approval in the ensuing Extraordinary General Meeting (EGM) scheduled on August 25, 2021 as well as regulatory approvals. Further, TNL also announced that PFL and certain other companies of the Tata group would also acquire up to 4.03 crore equity shares of TNL through open offer in accordance with SEBI Takeover Regulations.

Impact of Material Event

ICRA has noted the above event and placed the outstanding long-term rating of [ICRA]A- (pronounced ICRA A minus) and short-term rating of [ICRA]A2+ (pronounced ICRA A two plus) on rating watch with positive implications. ICRA will monitor the progress of the acquisition as well as completion of the open offer as per proposed timelines and its impact on the credit profile of the company. Accordingly, ICRA will take appropriate rating action, going forward.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities, Key financial indicators: **Click here**

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the rated entity, which are all enlisted in Annexure-2.

About the company

Tejas Networks Limited was incorporated in the 2000. It designs and manufactures optical transmission products, which find application in cellular backhaul, high-speed broadband and backbone network of telecom service providers for the transportation of data and voice over optical fiber. The company's products are also used in defense communication networks and by utility companies. The company successfully completed its IPO in June 2017 and is now a listed company.

Key financial indicators (audited)

Consolidated	FY2020	FY2021
Operating Income (Rs. crore)	396.5	527.9
PAT (Rs. crore)	-237.1	37.5
OPBDIT/OI (%)	2.1%	13.5%
PAT/OI (%)	-59.8%	7.1%
Total Outside Liabilities/Tangible Net Worth (times)	0.1	0.1
Total Debt/OPBDIT (times)	3.3	0.3
Interest Coverage (times)	1.1	19.2

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020		Date & Rating in FY2019
					Aug 9, 2021	June 22, 2020	Nov 22, 2019	May 24, 2019	May 31, 2018
1	Fund Based	Long Term / Short Term	90.0	-	[ICRA]A- %/ [ICRA]A2+%	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Positive)/ [ICRA]A1	[ICRA]A (Positive)/ [ICRA]A1
2	Non Fund Based	Long Term / Short Term	193.50	-	[ICRA]A- %/ [ICRA]A2+%	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Positive)/ [ICRA]A1	[ICRA]A (Positive)/ [ICRA]A1
	Unallocated	Long Term / Short Term	276.36	-	[ICRA]A- %/ [ICRA]A2+%	[ICRA]A- (Stable)/ [ICRA]A2+	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Positive)/ [ICRA]A1	[ICRA]A (Positive)/ [ICRA]A1

% - Rating placed on watch with positive implications

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long Term / Short Term Fund Based	Simple
Long Term / Short Term Non Fund Based	Very Simple
Long Term / Short Term Unallocated	Unallocated

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
Kotak Mahindra Bank	Fund based facility	NA	NA	NA	5.00	[ICRA]A-%/[ICRA]A2+%
Citibank	Fund based facility	NA	NA	NA	55.00	[ICRA]A-%/[ICRA]A2+%
Axis Bank	Fund based facility	NA	NA	NA	25.00	[ICRA]A-%/[ICRA]A2+%
Standard Chartered Bank	Fund based facility	NA	NA	NA	5.00	[ICRA]A-%/[ICRA]A2+%
Kotak Mahindra Bank	Non-fund based facility	NA	NA	NA	65.00	[ICRA]A-%/[ICRA]A2+%
Axis Bank	Non-fund based facility	NA	NA	NA	83.50	[ICRA]A-%/[ICRA]A2+%
Standard Chartered Bank	Non-fund based facility	NA	NA	NA	45.00	[ICRA]A-%/[ICRA]A2+%
-	Unallocated limits	NA	NA	NA	276.36	[ICRA]A-%/[ICRA]A2+%

Source: *Company; % - Rating placed on watch with positive implications*

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Tejas Communication Pte Limited	100.00%	Full Consolidation
Tejas Communications (Nigeria) Limited	100.00%	Full Consolidation
Tejas Israel Limited	NA*	Full Consolidation
vSave Energy Pvt Limited	NA**	Full Consolidation

Source: *Company*

**wholly owned subsidiary since acquisition on August 17, 2010 and liquidated with effect from November 25, 2018 **wholly owned subsidiary since incorporation on November 06, 2013 which has been dissolved and struck off with effect from July 28, 2018*

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About ICRA Limited:

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