

Tejas Networks Ltd : Average Issue

IPO Note : Sharp Growth in the top line. But high-risk with intense competition. company's heavy reliance on a few customers. High working capital requirements & expenses.

: Ranking**



Issue details

Price band (Rs)	Rs.250-257
IPO Opening Date	14/06/17
IPO Closing Date	16/06/17
Issue Size	Rs. 776.69 Cr.

Recommendation

Its top and bottom lines have shown tremendous growth in last three years. Total Revenue grew at a CAGR of 50.67% from Rs.386.82 crore in FY 15 to 878.19 crore in FY17. The company has made loss of Rs.17.86 crore in FY15 and after that it has reported net profit of Rs.29.01 crore and Rs.63.22 crore in FY 16 and FY17 respectively. Post issue, its current paid up capital of Rs. 72.04 crore with stand enhanced to Rs. 89.54 crore. If we attribute latest earnings on the fully diluted equity post issue, then asking price is at a P/E of 36 plus, looks expensive. There are no listed peers to compare with. Sharp Growth in the top line. But high-risk with intense competition. company's heavy reliance on a few customers. High working capital requirements & expenses.

Highlights

- As of April 30, 2017 TNL has filed 333 patent applications, with 203 filings in India, 89 filings in the United States and 6 filings in Europe, out of which 56 patents have been granted and it has also filed 35 patent applications under the Patent Cooperation Treaty.
- Tejas Networks Ltd (TNL) is an India-based optical and data networking products company with customers in over 60 countries.
- For the year ended March 31, 2016, TNL was the second largest optical networking products company in terms of market share in India, with a market share of 15% in the overall optical networking market.
- It has Total Debt of Rs.251 crores as on 31 March 2017.

Company Introduction

Tejas Networks Ltd is Bangalore based optical and data networking products company. Tejas design, develop and sell products to telecommunications service providers, internet service providers, utility companies, defense companies and government entities in India and over 60 countries. These products are used in building high-speed communication networks to carry voice, data and video traffic from fixed line, mobile and broadband networks over optical fiber. Tejas Networks build hardware and software products related to optical and data networking. The hardware is build using modular approach and the software-defined architecture allows the company to remotely upgrade the hardware with new



www.tejasnetworks.com

Financial Summary (Rs. In Crore)

Particulars	FY2017	FY2016	FY2015	FY2014
Total Income	878.19	627.45	386.82	423.05
Net Profit	63.22	29.01	-17.86	2.77
EPS (Rs)	7.06	3.23	-	0.3

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

capabilities and features. Tejas Networks outsource most of its manufacturing to electronics manufacturing services companies. Tejas Networks offer pay-as-you-grow business model where its clients purchase its products/services incrementally as needed.

Tejas Networks Ltd have filed 326 patent applications, with 198 filings in India, 87 filings in the United States and 6 filings in Europe, out of which 47 patents have been granted.

The object of the issue

The Offer comprises the Fresh Issue and the Offer for Sale.

- Offer for Sale - The company will not receive any proceeds from the Offer for Sale.
- Fresh Issue - Company proposes to utilize the Net Proceeds towards funding the following objects:
- Capital expenditure towards payment of salaries and wages of research and development team
- Working capital requirement
- General corporate purposes.

IPO Issue Proceed

To part finance its capital expenditure for paying salaries to research and development team, working capital and general corpus fund needs, the company is coming out with a maiden IPO to mobilize Rs. 767.79 crore to 776.69 crore based on lower and upper price band. The company is issuing 12711605 equity share of Rs. 10 each as offer for sale and also issuing fresh equity worth Rs. 450 crore (approx 1.75 crore shares at the upper price band). Issue opens for subscription on 14.06.17 and will close on 16.06.17. Minimum application is to be made for 55 shares and in multiples thereon, thereafter. The company has reserve 75% of the issue for QIBs, 15% for HNIs and 10% for retail investors. Post allotment, shares will be listed on BSE and NSE.

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