

Tejas Networks Ltd.
BUY
CMP
₹1,028 (26th Apr'24)
ACCUMULATE

Equity (₹ Cr)	170.80
FV (₹)	10.00
M. Cap (₹ Cr)	17,561
52 Wk High (NSE)	1135.00
52 Wk Low (NSE)	618.00
Book Value (₹ Cr)	184.21
P/B	5.67
TTM EPS (₹)	3.69
TTM P/E	283.30

Share Holding Pattern

	Dec-23	Mar-24
Promoters	55.80	55.60
FIIIs	11.26	11.33
DIIIs	4.35	4.76
Public	28.58	28.31

Financials (₹ Cr)

	FY23	FY24	FY25E	FY26E
Revenue	869	2370	9651	6944
EBITDA	64	256	2026	1341
EBITDA Margin (%)	7%	11%	18.2%	15.8%
PAT	3	82	1092	1085
EPS (₹)	0.18	4.80	63.10	62.70

Source: Consensus Estimates, standalone nos.

3-year Price Chart

Company Profile

Tejas Networks Ltd (TNL), incorporated in 2000, designs and manufactures wireline and wireless networking products, with a focus on technology, innovation and R&D. TNL carrier-class products are used by telecom service providers, utilities, governments, and defence networks in 75+ countries. TNL has an extensive portfolio of telecom products for building end-to-end telecom networks. The company completed its IPO in 2017 and is currently a part of Panatone Finvest Limited (a subsidiary of Tata Sons Private Limited).

Investment Rationale.

- **Strong parentage:** TNL enjoys considerable financial flexibility for being a part of the Tata Group. It has a strong promoter profile as Panatone Finvest Limited (PFL) is a subsidiary of Tata Sons Private Limited (TSPL) and the investment holding company of the Tata Group's investment in telecommunication. As of March 2024, PFL held 55.6% stake in the company.

- **Strong revenue visibility from domestic orders:** TNL has a strong order book of Rs 8,221 crore (India: Rs 7,958 cr, International: Rs 263 cr) led by Rs 7490 crore order from TCS for BSNL's 4G implementation. Moreover, the company would be beneficiary of cumulative spends of ~Rs 41,000 crore in the next 2-3 years (>\$1 bn from BSNL 4G/5G expansion, >\$3bn in 4G/5G private projects, >\$500M capex on FTTX and IP Routers for BharatNet3.0 and >\$600M investments in xPONOLT/ONT by private telcos & ISPs). TAM for wireless/wireline market is expected to expand to \$58/\$50 bn in FY29 from \$44/\$33 bn in FY24. TNL has made investments, added inventory, EMS partners, and employees (particularly in the R&D division), and it is ready to handle larger volumes.

- **Opportunities in the international space:** TNL would be a beneficiary of the rift between US and China and could emerge as a one of the trusted sources could benefit from the US Rip and Replace program, which has budgeted ~USD5bn for moving away from Chinese players like Huawei and ZTE.

Tejas' subsidiary, Saankhya Labs, already has its three radios certified and is selling to the USA. Besides, according to media articles, Saankhya Labs has opened talks with Indian and Taiwanese mobile manufacturers to develop a direct to mobile (D2M) technology-enabled phone, which will be a cross between a smartphone and a feature phone.

- **PLI scheme usher in benefits:** TNL has received Rs 32.66 crore as incentives for FY2022-23 under the PLI (Production-Linked Incentive) Scheme for Telecom and Networking Products. SaankhyaLabs approved under Semiconductor DLI scheme. Tejas has committed to making an investment of Rs 750 crore over the scheme period under the Design-Linked PLI Scheme which has potential to generate Rs 291 crore in five years.
- **Improving financials:** TNL's Q4FY24 revenues/EBIT/PAT grew 343%/669%/960%/1380% yoy at Rs 1327/248/233/147 respectively. Company derives 90% of revenues from India (Govt:36%, Private:54%) while remaining 10% accounts from international. Strong Q4FY24 performance was led by BSNL's 4G project execution in both wireless and wireline. TNL and its subsidiaries were granted 22 patents in Q4FY24, total count stood at 335.

Outlook & Valuation:

The company is a beneficiary of the strong order book led by BSNL 4G/5G projects as well from private sector. Besides, international orders (majorly from US) on account of shift away from China, could drive strong revenues ahead. The company has turned around and financials are expected to improve from here on. At the CMP, the scrip trades at 16.6x FY25E EPS (consensus). We are positive on the company, at the same time is cognizant of the recent sharp rally in the stock price and hence suggest to ACCUMULATE at intervals and be aggressive at intermediate corrections.

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