

TEJAS NETWORKS LTD

Issue Details	
Issue Opens	14-June-17
Issue Closes	16-June-17
Issue Size (Rs. Crore)	776.68
Face value (per equity share)	10
Price Band (Rs.)	250- 257
Lot Size (No of Share)	55
No of Shares on Offer (crore)	1.27
QIB (%)	75%
Non-Institutional (%)	15%
Retail (%)	10%
Commencement of Trading	27-June-17

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	0.00	0.00
Public (incl institutions and employees)	100.0	100.0
Total	100.0	100.0

Objects of the Issue

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

1. Offer for Sale - The company will not receive any proceeds from the Offer for Sale.

2. 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; and
- General corporate purposes.

Issue Date: 14th June – 16th June 2017

Price Band (Rs.) : 250- 257

Lot Size (No. of Share) : 55

Company Background

Incorporated in 2000, 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.

Financials

Particulars	For the year/period ended (in Rs. Million)				
	FY-16	FY-15	FY-14	FY-13	FY-12
Total Assets	8,383	7,281	7,452	6,563	6,398
Total Revenue	6,275	3,868	4,231	3,693	2,014
Profit After Tax	290	(179)	28	(790)	(929)

Concerns

- Client concentration risk:** The loss of one or more of significant clients could have an adverse effect on the business.
- Technology risk:** The networking equipment market is characterised by rapid technological changes, with new product introductions, enhancements and evolving industry standards.
- Competition risk:** The networking equipment market is highly competitive, rapidly evolving and is characterised by large MNCs who have a bigger bandwidth.

Strengths

- Leading Indian player in optical networking equipment market.
- Strong revenue and margins expansion in last four years.
- Strong brand in various states in India.

Our View

On the higher price band of Rs.257 and on FY16 EPS of Rs.4.71, P/E ratio works out to 54.5x. Even based on the last 3 years consolidated EPS of Rs.1.46, P/E Ratio works out to be 176x. Means company is asking the upper band of issue price of Rs.257 for a P/E Ratio between 54x and 176x.

There is no listed peers to compare, hence we cannot say whether the issue price is over priced or under priced. However, considering low profits or losses incurred in last few years, the 3 year average EPS is low. Considering this point, P/E ratio is high and the issue price is highly priced.

Company revenues grew at 33% CAGR in last 5 years which indicates strong performance. It started generating profits in the last 1.5 years only. Investors should stay away from such highly priced IPO's. After Listing, if the share price drops, then the investors could invest in this IPO.