



Farsight

## MORNING FARSIGHT

Wednesday, August 29, 2018

**TEJAS NETWORKS**

**CMP:RS 266**

**TRGT:RS 315**

**TIME HORIZON: 1 YEAR**

Tejas Networks is looking a good buy, due to strong Q1FY19 earnings reported by the company, with Consolidated PBT rising to Rs 52 cr from Rs 7.4 cr QoQ and Rs 25.8 cr YoY, leading to an EPS of Rs 4.95 for Q1FY19, which was at Rs 12.41 in FY18. Stock having beaten down post disappointing Q4FY18 is looking a good buy as earnings are set to recover in the coming quarters, as Q4FY18 was marred by various one offs like slower-than-expected uptake in direct overseas selling and unwinding of OEM business. Going ahead, outlook remains very positive with 1) order book seen healthy at over Rs 500 crores, 2) heavy investment in sales & marketing should start delivering with overseas order wins. Tejas remains well placed to benefit from sustained data growth driving network expansion across telcos, utilities and govt entities. Further, India government remains the largest proportion of its revenue and the company expects the segment should continue to grow, led by BharatNet Phase 2, where a large number of tendering has already occurred. Some state governments are also in the planning stage of building a wider network beyond BharatNet (links gram panchayat). The company also stands to gain from the US government's ban on US companies from exporting to ZTE as operators are now looking to diversify their supply chains to include non-Chinese vendors. Company is expected to report an EPS of Rs 15 for FY19, leading to PE of 17.6x, which is attractive as Tejas should be benchmarked to global peers in end-to-end solutions like Huawei as well specialized optical transmission equipment players like Adva, Ceina, etc. Company is also having a debt free balance-sheet with Cash Eqv of Rs 310 cr or Rs 34 per share, leading to net of cash PE of 15.3x. Share ruling at Rs 266 can move to Rs 315 in 1 year

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**Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.**