

Result Snapshot

Amt. in Rs. Crs.	Q2 FY21	Q1 FY21	Q-o-Q	Q2 FY20	Y-o-Y
Revenue	110.06	80.11	37.4%	87.42	25.9%
Other Income	8.11	4.34		6.89	
Total Income	118.17	84.45	39.9%	94.31	25.3%
EBITDA	9.28	0.62	1396.8%	6.39	45.2%
EBIDTA (%)	8.4%	0.8%		7.3%	
EBIT	-2.56	-13.16		-11.85	
PBT	4.53	-9.76		-7.47	
PAT	4.53	-9.76		-4.38	
PAT%	4.1%	-12.2%		-5.0%	

Result / Con-call Highlights:

1) Result Update

For Q2 FY21, Tejas Networks Ltd. reported revenue of Rs. 110.06 crore Y-o-Y up 25.9% compared to Rs. 87.42 crore reported same period last financial year. The company reported EBITDA of Rs. 9.28 crore with EBITDA margin of 8.4% during the quarter ended September, 2021. PAT during the quarter was at Rs. 4.53 crore compared to a loss of Rs. 4.38 crore reported in Q2 FY20. Tejas Network Ltd. witnessed better operating cash flow, improved collections as well as higher order book in H1 FY21.

Revenue Split (Rs. Cr.)	FY20	% FY20	H1 FY21	% H1 FY21
India Private	195	52%	78	42%
International	126	33%	77	42%
India Govt – BSNL	8	2%	0.3	1%
India Govt – Critical Infra	50	13%	28.7	15%
Total	380	100%	184	100%

2) Conference Call Highlight

Growth in Revenue and Return to Profitability

The company continued to remain debt free with cash position improving to Rs. 299 during the quarter. Cash position improved on the back of improving working capital cycle which decreased by Rs. 27 crore. Use of large part of existing inventory and expected collections during the next few quarters will continue to improve working capital cycle and cash position. Out of the total receivables of Rs. 425 crores at the end of Q2 FY21, BSNL outstanding amount stood at Rs. 175 crore which is overdue. The remaining Rs 250 crores will not be lapsed and over the next 3 quarters, the receivables cycle is expected to go back to steady state of 140 – 145 days (excluding BSNL).

With minimal support of BSNL orders over the past 2 years, the company again seems to return back to profitability on back of increasing India private and international business.

Result / Con-call Highlights: (Continued)

Healthy Order Book

Order book stood at Rs. 599 crores in Q2 FY21 with International contributing Rs. 60 crore, Govt (BSNL + Critical Infra) contributing Rs. 415 crore and India private contributing Rs. 125 crore. Majority of the international and India private business gets executed swiftly, whereas government contract are for longer duration. Around 33% of the order book is expected to be recognized in H2 FY21 with significant improvement in India private and international business expected in Q4. FTTs products are getting a lot of traction due to increase demand in broadband worldwide. New customer wins in international are expected to pick up in H2 along with positive tailwind on the back of geo-political issues.

Update on India Private & International Business

India Private - Covid-19 has accelerated the demand for wireline broadband services and pushed up bandwidth demand in long-haul networks which is expected to pick up pace in H2. The company has ties with all the 3 major operators in India and has received initial orders for xPON equipment from two Tier-1 operators who are rolling out country-wide fiber broadband services which expected to generate run-rate revenues starting Q4. India as a country as around 6 mn fiber to home connection which is expected to increase to 100 mn over next 4 years according to TRAI report. According to company's calculation, on average every customer win will yield ~\$20 to Tejas Networks which gives the company significant opportunity to grow over the next 3 years.

International – Africa and South East Asia markets are similar to that of Indian market. Continuous focus on these markets over the past 3 years will have fruitful results going forward. There is a good order visibility with repeat orders from existing customers in South East Asia whereas; Africa market is expect to win few new customer orders in Q3. North America business in Q2 continued to be slow with new customer wins getting delayed. The company has ventured into European market due to increasing geo-political issues with China. Many operators in UK and Europe are motivated to diversify their supplier base. Company's medium term goal is to continue to drive 50% of the business from International business.

3) Outlook

Tejas Networks showed improvements in all front namely; revenue growth, profitability, order book as well as free cash flows in Q2. Although marginal enhancements in the financials, but they were on account of India private and International business. Company's medium term strategy to diversify away from Governments Bharat Net projects finally seems to show some fruitful results after continued underperformance over the past 2 years. We believe revenues as well as profitability will pick up pace Q4 onwards and opine investors to BUY on Dips from current levels.

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