

Retail Research	IPO Note
Sector: Power management solution	Price Band (Rs): 135 - 142
26th February 2024	Recommendation: Subscribe for Long Term Horizon

Exicom Tele-Systems Limited

Company Overview:

Exicom Tele-Systems Limited is an India-based power management solutions provider established in 1994. The company's two business verticals are critical power solutions and electric vehicle supply equipment solutions. The company designs, manufactures and services DC power systems and Li-ion based energy storage solutions for managing overall energy usage at telecommunication sites and enterprise environment. The company's EV charger solutions provide smart charging systems for residential, business, and public use. It holds a market share of 60% and 25% in residential and public charging segments as of Mar'23. Additionally, the company has a market share of 16% in the DC Power Systems market and approximately 10% in the Li-ion Batteries market for telecommunication applications.

Key Highlights:

1. Critical power business: The company's critical power business offers customized DC power systems and Li-ion based Energy Storage Solutions for comprehensive energy management at telecommunication sites and enterprise environment. The company has successfully deployed solutions in 15 countries across South East Asia and Africa. As of Sep'23, the company has deployed 4,70,810 Li-ion Batteries for application in the telecommunications sector. The growth of the telecommunications power industry is driven by increasing demand for mobile data and voice services, adoption of 4G and 5G networks, telecommunications power upgrade projects, and the need for reliable power supply for telecommunications towers.

2. Electrical vehicle supply equipment business: The company's EV charger business provides smart EV charging products and solutions, including slow AC chargers for residential use and fast DC chargers for businesses and public charging networks. The company's products meet global standards such as CE and Indian certification requirements. As of Sep'23, it has deployed over 61,000 EV chargers across 400 locations in India. The company differentiates its EV chargers by prioritizing form factor, performance and their ability to work in harsh conditions.

3. Manufacturing facility: The company is vertically integrated with end-to-end product development capabilities supported by two R&D centers. It has three manufacturing facilities in India with an annual capacity of 12,000 DC power systems, 44,400 AC and DC EV Chargers and a total built-up area of 1,34,352 sq.ft. At Gurugram facility I, the company manufactures products for both the critical power business and EV charger business. At Gurugram facility II, the company manufactures Li-ion batteries for critical power business. At the Solan facility, the company manufactures AC-DC converters (rectifiers), which form a component of the DCT power systems and are sold to the customers along with the DCT power systems.

Valuation: The company is valued at FY24 annualized P/E multiple of 31.2x at the upper price band on post-issue capital. The company is expanding its manufacturing facility for EV chargers, DC Power Systems and Lithium-ion Battery Assembly in Telangana which will add to the topline. The company also plans to reduce its debt from the fresh issue, which will improve the profitability. The growth for the EV industry looks very attractive going ahead in India, as well the need of telecommunication infrastructure for 5G network will give an edge to the company's growth in future. We recommend investors to SUBSCRIBE to the issue for the long-term investment horizon.

Issue Details	
Date of Opening	27 th February 2024
Date of Closing	29 th February 2024
Price Band (Rs)	135 - 142
Fresh Issue (Rs cr)	329
Offer for sale	70,42,200 (No of shares)
Issue Size (Rs cr)	429
No. of shares	3,14,12,570 – 3,02,11,214
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	1,647 – 1,716
BRLMs	Monarch Network Capital Limited, Unistone Capital Private Limited, Systematix Corporate Services Limited
Registrar	Link Intime India Private Limited
Bid Lot	100 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Part-financing the cost towards setting up of production/assembly lines at the planned manufacturing facility in Telangana	1,45.8
Repayment/pre-payment, in part or full, of certain borrowings of the company	50.3
Part-funding incremental working capital requirements.	69.0
Investment in R&D and product development.	40.0
General corporate purposes*	-
Total proceeds from fresh issue*	429.0

*To be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilised for general corporate purposes shall not exceed 25% of the Gross Proceeds.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	9,11,00,208	93.3
Public & Others	65,55,293	6.7
Total	9,76,55,501	100.0

Post Issue @ Upper Price Band	No. of Shares	%
Promoter & Promoter Group	8,40,58,008	69.6
Public & Others	3,67,66,507	30.4
Total	12,08,24,515	100.0

Source: RHP, SSL Research

Key Financials

Particulars	FY21	FY22	FY23	1HFY24
Revenue from operation (Rs cr)	513	843	708	455
EBITDA (Rs cr)	30	67	52	41
PAT (Rs cr)	3	5	6	27
EBITDA Margin (%)	5.8	8.0	7.4	9.1
PAT Margin (%)	0.7	0.6	0.9	6.0
EPS (Rs)	0.4	0.6	0.7	3.0
ROE (%)	1.6	2.3	2.7	8.8
ROCE (%)	8.5	17.7	14.7	11.8
Total Debt / Equity (x)	0.5	0.5	0.5	0.2

* Not Annualized

Source: RHP, SSL Research

Risk Factors

- **Heavy dependency on the top 5 customers:** The company is dependent on the top five customers, including Government of India entities, for over 50% of revenue (For 1HFY24, FY23, FY22 and FY21) in the critical power solutions business. Losing any of them or a reduction in their purchases will adversely affect the business, operations and financial condition.
- **Dependency on key inputs and raw materials from imports:** The company is dependent on global suppliers for the supply of raw materials and key inputs and may not be able to reduce the dependency on such imports. Any delay, scarcity or unavailability in the supply of raw materials may affect business operations.
- **Bottleneck in manufacturing facility:** Any bottleneck such as shutdown or breakdown at the manufacturing facilities may have a material adverse effect on the business operations.
- **Maintaining product quality:** Any failure in maintaining quality accreditations and certifications may negatively impact the brand and reputation.

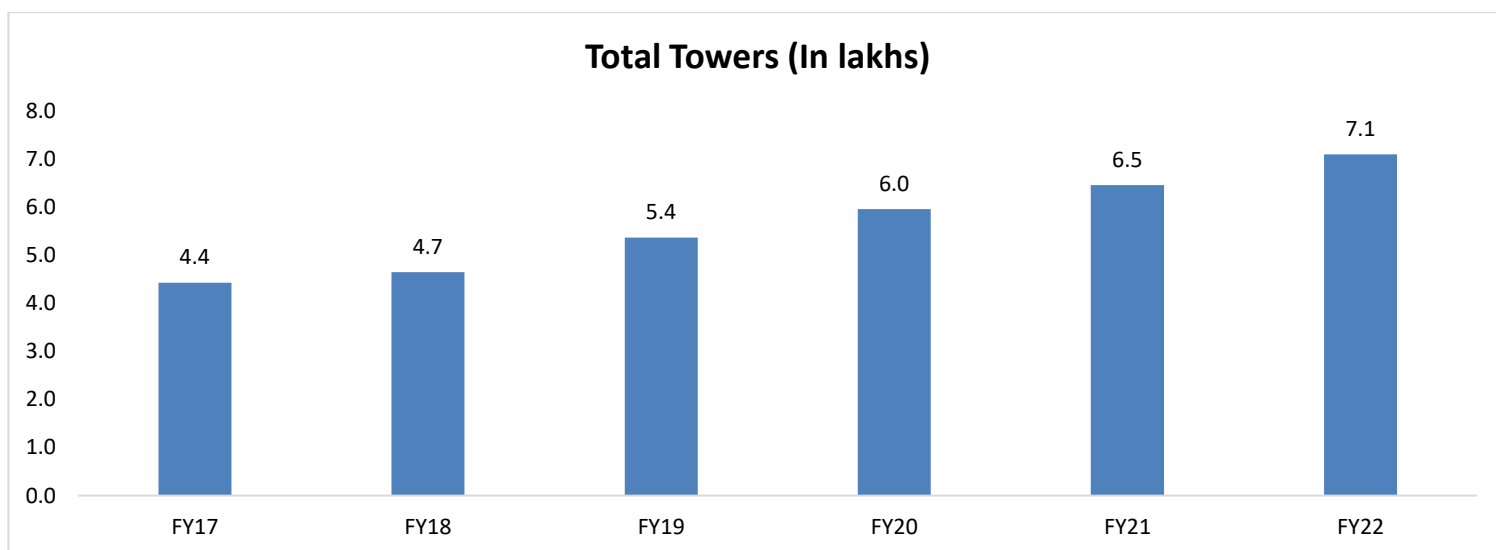
Growth Strategy

- Capitalize on EVSE (Electrical Vehicle Supply Equipment) industry tailwinds, including through proposed expansion.
- Continue to invest in the capabilities of product innovation, engineering and design with focus on indigenisation.
- Increase penetration in existing markets and expand into new overseas markets.
- Expand product portfolio to increase sales to existing customers and cater to new customer industries and use-cases.
- Invest in digital transformation of the business operations to improve operational efficiencies and customer experience.

Industry Overview

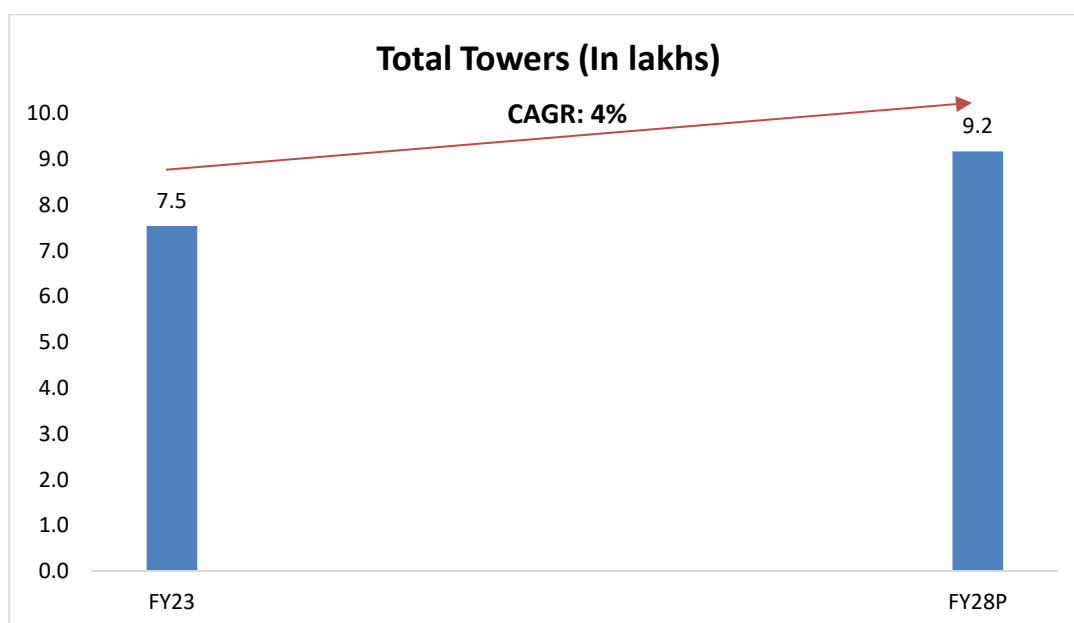
Indian telecommunication tower industry

The scale of data consumption in India is unparalleled when compared to global growth, which is flattening. As per DOT report, the data traffic in the country grew by 30 times in the past five years which is amongst highest globally with 97.9% of the data usage coming from 4G in 2021. This strong growth in telecommunication data usage puts pressure on telecommunication infrastructure. Capacity expansion and equipment modernization is essential to provide customers with a seamless telecommunication service. To support such a strong user base and their ever-increasing telecommunication needs there is a need for an equally strong telecommunication infrastructure backbone. The number of telecommunication towers being deployed have grown at 10% CAGR over the last five years, primarily led by Reliance Jio with the overall industry adding over 2.5 lakh towers, which is more than half of the FY17 tower population. The additions were largely on account of the 4G roll out in the country.



Source: RHP, SSL Research

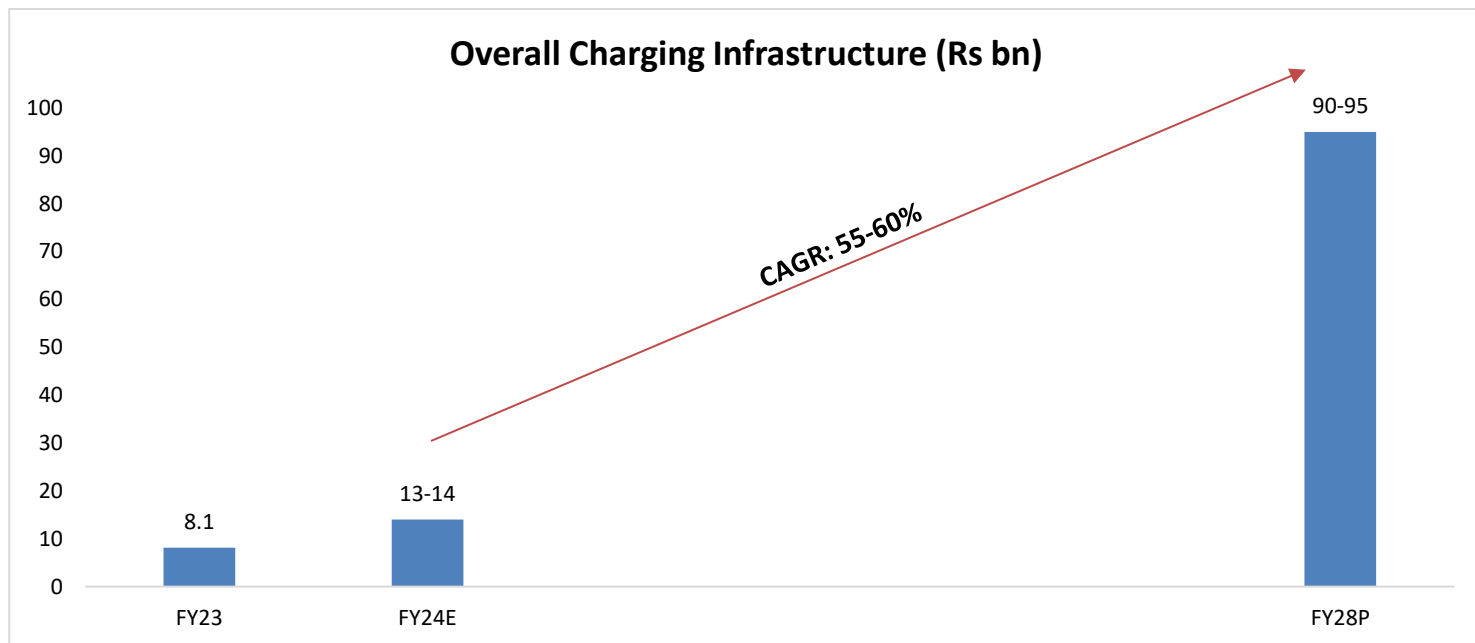
Going forward, the new tower additions are expected to grow modestly at a CAGR of 4.0% from 7.5 lakh in FY23 to 9.0 - 9.2 lakhs by FY28 and most of the capital expenditure will happen towards upgradation of the towers for 5G, as almost ~80% of FY24 tower population is expected to be upgraded by FY28.



Source: RHP, SSL Research

Growth outlook for overall charging infrastructure: The public charging station market which is estimated to contribute ~50% of the overall EVSE market size as on FY24 is expected to grow at a CAGR of 45-50% in FY24–FY28. The E-buses charging stations market is expected to grow at a faster rate at a CAGR of 80-85% owing to higher scope of penetration. Residential charging segment is expected to grow at a CAGR of 60-65% and will increase its share from 13% of the overall pie of EVSE market in FY23 to ~16-18% in FY24. Fleet charging market is expected to grow at a CAGR of 65-70% led by more commercial fleet operators entering the EV fleet market.

Overall, rise of EV penetration in passenger vehicles (PVs), fleets and buses will cause the demand for EV chargers for all key segments combined to grow at a CAGR of 55%-60% between FY23-FY28.



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
(Rs cr)	FY21	FY22	FY23
Revenue from Operations	513	843	708
YoY growth (%)	-	64.3	(16.0)
Cost Of Revenues (incl Stock Adj)	388	652	518
Gross Profit	125	191	190
Gross margins (%)	24.4	22.7	26.9
Employee Cost	51	56	64
Other Operating Expenses	41	62	66
EBITDA	33	73	60
EBITDA margins (%)	6.4	8.7	8.4
Other Income	11	6	15
Net Interest Exp.	14	19	19
Depreciation	14	15	16
Exceptional Items	0	0	0
PBT	16	45	40
Tax	0	9	1
PAT	3	5	6
PAT margin (%)	0.7	0.6	0.9
EPS	0.4	0.6	0.7

BALANCE SHEET			
(Rs cr)	FY21	FY22	FY23
Assets			
Net Block	67	65	50
Capital WIP	0	0	0
Intangible Assets under development	45	53	34
Other Non current Assets	38	52	54
Current Assets			
Inventories	117	136	128
Trade receivables	328	169	315
Cash and Bank Balances	36	55	52
Other Current Assets	47	73	73
Total Current Assets	528	433	568
Current Liabilities & Provisions			
Trade payables	292	165	282
Other current liabilities	38	76	46
Short-term provisions	5	8	7
Total Current Liabilities	336	249	335
Net Current Assets	192	184	233
Total Assets	342	354	371
Liabilities			
Share Capital	7	7	7
Reserves and Surplus	206	214	225
Total Shareholders Funds	213	222	232
Total Debt	102	108	118
Long Term Provisions	9	8	8
Other Long Term Liabilities	18	16	13
Net Deferred Tax Liability	0	0	0
Total Liabilities	342	354	371

(Rs cr)	FY21	FY22	FY23
Cash flow from Operating Activities	(13)	56	3
Cash flow from Investing Activities	(20)	(10)	8
Cash flow from Financing Activities	46	(17)	(16)
Free Cash Flow	(31)	36	(14)

RATIOS			
	FY21	FY22	FY23
Profitability			
Return on Assets (%)	0.5	0.9	0.9
Return on Capital (%)	8.5	17.7	14.7
Return on Equity (%)	1.6	2.3	2.7
Margin Analysis			
Gross Margin (%)	24.4	22.7	26.9
EBITDA Margin (%)	5.8	8.0	7.4
Net Income Margin (%)	0.7	0.6	0.9
Short-Term Liquidity			
Current Ratio (x)	1.4	1.6	1.5
Quick Ratio (x)	1.1	1.1	1.2
Avg. Days Sales Outstanding	234	73	162
Avg. Days Inventory Outstanding	83	59	66
Avg. Days Payables	208	72	145
Fixed asset turnover (x)	7.7	12.9	14.2
Debt-service coverage (x)	0.3	0.5	0.4
Long-Term Solvency			
Total Debt / Equity (x)	0.5	0.5	0.5
Interest Coverage Ratio (x)	1.9	3.1	2.7
Valuation Ratios			
EV/EBITDA (x)	46.7	20.2	26.3
P/E (x)	380.3	255.5	205.9
P/B (x)	6.1	5.9	5.7

Source: RHP, SSL Research

Peer Comparison

	Exicom Tele-Systems Limited	Servotech Power Systems Limited	HBL Power Systems Limited
CMP	142.0	97.8	514.0
Sales (Rs cr)	707.9	249.0	1,369.0
EBITDA (Rs cr)	52.4	18.0	151.0
PAT (Rs cr)	6.4	11.0	98.0
M.Cap (Rs Cr)	1,715.7	2,079.0	14,246.0
Enterprise Value (Rs cr)	1,781.8	2,116.0	14,292.0
EBITDA Margin (%)	7.4	7.2	11.0
PAT Margin (%)	0.9	4.4	7.2
M.cap/Sales	2.4	8.3	10.4
PE(x)	269.3	189.0	145.4
EV/EBITDA	34.0	117.6	94.6
RoE (%)	2.7	16.8	10.7
RoCE (%)	14.7	17.7	13.7

The data is based on FY23 financial data.

For Exicom Tele-Systems Limited the P/E, Market cap and EV/EBITDA (x) are calculated on post-issue equity share capital based on the upper price band.

CMP as on 23rd February 2024.

Source: RHP, SSL Research

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Harsh Vasa	CA	Research Analyst - Equity Fundamentals
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