

Company Overview

Incorporated in 1994, Exicom Tele-Systems Limited (ETL) specializes in power systems, electric vehicle (EV) charging, and Li-ion based energy storage solutions. The company operates under two verticals in its core business. The first vertical of power systems specializes in providing uninterrupted power solutions (UPS) for digital communication networks, which are extremely power-intensive, yet mission-critical for most organizations. The second core business vertical of ETL is the EV Charging Solutions vertical. As of date, ETL has deployed more than 6,000 AC (alternate current) and DC (direct current) chargers in India and Southeast Asia. Their EV charging solutions are designed to be tough and resilient and have the capacity to withstand harsh environmental and electrical conditions. ETL is among the early entrants to enter India's EV charger manufacturing segment. This is a business that has high visibility in terms of growth in the coming years as India moves towards green mobility. ETL offers slow charging solutions (primarily AC chargers for residential use) and fast charging solutions (DC chargers for business and public charging networks in cities and highways). Further, ETL provides its customers with a wide range of services covering installation and commissioning, maintenance and operations, supplying individual spare parts, and repair and return. It has a robust customer base, which includes established automotive OEMs (for passenger cars and EV buses), charge point operators (CPOs), and fleet aggregators, who are running green vehicles as part of their fleet service. It has already installed 61,000 EV chargers across 400 locations in India and has deployed a total of 470,810 Li-ion (lithium ion) batteries for application in the telecom sector, equivalent to storage capacity of over 2.10 GWH. It has over 70 core customers and employs 1,190 personnel on full-time and contract basis. As of FY23, ETL has an in-house manufacturing capacity of 1.3+ lakh rectifiers, 12k DC Power Systems, 44.4k EV chargers and 56.4k Li-ion battery across its three plants.

Industry

The increasing demand for mobile data and voice services, the growing adoption of 4G and 5G networks, and the need for reliable and uninterrupted power supply for telecommunication towers are the key factors driving the growth of the global telecommunication power market. The market size for telecommunication DC power systems (including hybrid systems) in India is estimated at Rs. ~15 bn for FY23, with upgradation and replacement demand expected to drive the industry with 75% demand while balance 25% demand is expected on account of new tower additions. The energy storage solutions market for telecommunications is valued at Rs. 19.5 bn in FY23, while the market size for Li-ion battery energy storage systems in data centers is valued at Rs. 3.2 bn in FY23.

The domestic EV PV market has grown substantially at a CAGR of 127% from FY19 to FY23 reaching a total of 47,512 electric cars. It is estimated to grow at a CAGR of 50-60% between FY24-28E, with 9-12% EV penetration expected in FY28. The current EV charging market in India is estimated at Rs ~8.5 bn as of FY23. The public charging station market which is estimated to contribute ~50% of the overall Electric Vehicle Supply Equipment (EVSE) market size in FY24 is expected to grow at a CAGR of 45-50% between FY24-28. The E-buses charging stations market is expected to grow at a faster CAGR of 80-85% owing to higher scope of penetration. The residential charging segment is expected to grow at a CAGR of 60-65%.

Objects of the issue

The net proceeds from the fresh issue will be used towards the following purposes:

- ⇒ Part-financing the cost towards setting up of production/assembly lines at the planned manufacturing facility in Telangana - Rs. 146 crores;
- ⇒ Repayment/pre-payment, in part or full, of certain borrowings of the company - Rs. 50.3 crores;
- ⇒ Part-funding incremental working capital requirements - Rs. 69 crores;
- ⇒ Investment in R&D and product development - Rs. 40 crores;
- ⇒ General corporate purposes.

Investment Rationale

Early-mover advantage and industry tailwinds to propel growth

ETL stands out as an established player with a significant early-mover-and-learner advantage in the rapidly growing Indian EV charger market. As one of the first entrants in the segment in 2019, the company has capitalized on its early presence to secure a substantial market share, particularly in the residential (60% market share) and public charging (25% market share) segments.

Issue Details

Offer Period	27 th Feb 2024 - 29 th Feb 2024
Price Band	Rs. 135 to Rs. 142
Bid Lot	100
Listing	BSE & NSE
Issue Size (no. of shares in mn)	30.2
Issue Size (Rs. in bn)	4.3
Face Value (Rs.)	10

Issue Structure

QIB	75%
NIB	15%
Retail	10%

BRLM Link Intime India Pvt. Ltd.

Registrar Monarch Network Capital Ltd., Unistone Capital Pvt. Ltd., Systematix Corporate Services Ltd.

Particulars	Pre Issue %	Post Issue %
Promoter and Promoter group	93.28	75.00
Public	6.72	25.00
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

Exicom Tele-Systems Ltd.

The market also has significant entry barriers that include evolving technology standards, stringent performance requirements, grid infrastructure compatibility, the necessity for strategic partnerships, and demanding service setups. The rise of electric vehicle (EV) penetration in passenger vehicles, commercial vehicles, and electric buses presents a compelling growth opportunity for ETL. With PV EVs projected to grow at a remarkable CAGR of 50-60% between FY2023-28 to reach 5.5 lakh cars by FY28, the demand for EV chargers is set to soar. The company is well-positioned to capitalize on this trend, given its early entry into the market and comprehensive portfolio of EV charging solutions. Moreover, ETL has planned the set-up of two production/assembly lines - a) Critical Power and EV Charger production/assembly line and; b) Prismatic production/assembly line for Li-ion Batteries at its planned manufacturing facility in Hyderabad. Upon commencing operations, the facility would provide ETL increased capacity for the production of EV chargers and will enable it to capitalize on growth in demand for EV chargers. Additionally, the EV charging infrastructure market in India is at a nascent stage, with significant growth potential driven by favourable government policies, lower cost of ownership, and investments in charging infrastructure. ETL's early-mover advantage, vertically integrated operations, robust R&D capabilities, and diversified product portfolio positions it to capitalize on the burgeoning EV industry in India and globally. With a projected total addressable market of Rs. 9.0-9.5 bn by FY28, ETL is poised for sustained growth and market leadership in the EV charger segment.

Customer-centric approach and vertically integrated operations to drive success

ETL's track record of long-standing relationships with an established customer base underscores its commitment to delivering customer-centric solutions and value-added products and services. With a diverse customer base spanning telecommunications companies like Jio Infocom Limited and Maxis Telecom (an operator in South East Asia), tower companies like American Tower Corp., Eastcastle Infrastructure DRC S.R.L.U. and Indus Tower, automotive OEMs and charging infrastructure providers, the company has built a reputation for reliability and excellence in the industry. Through collaborative partnerships and ongoing engagement with key customers, ETL continuously upgrades its products to meet evolving market demands and customer specifications. The company's stringent quality standards, durability, and reliability of products are essential factors in maintaining customer relationships, particularly in critical applications where it has garnered a market share of 16%. With end-to-end product development capabilities and in-house R&D centers, the company intends to accelerate product innovation, shorten development cycles, and ensure consistent quality across its product portfolio. By providing a range of services, including installation, maintenance, spare parts support, and technical assistance, ETL strengthens its customer relationships and reinforces its commitment to delivering superior customer experiences.

Valuation

Exicom Tele-Systems Ltd. emerges as a significant player within the global telecommunications power industry, poised to capitalize on the evolving landscape driven by smartphone adoption, 5G deployment, and the proliferation of Internet of Things (IoT) devices. The telecommunication power market, an integral component of the industry, is witnessing robust growth fuelled by the increasing demand for mobile data and the deployment of 4G/5G networks, with projections indicating a compelling 9.4% CAGR to reach USD 6.6 bn by 2028. The company's strategic utilization plan for the funds generated through its IPO underscores its commitment to expansion and innovation. With clear objectives encompassing the establishment of production facilities, debt repayment, investment in R&D, and bolstering working capital, ETL demonstrates a proactive approach toward addressing market demands and capitalizing growth opportunities. Leveraging its early mover advantage, Exicom Tele-Systems Ltd. has established itself as a formidable player within the industry, fortified by a vertically integrated operational model that encompasses manufacturing and supply chain capabilities. The company's strong track record of service delivery and project execution provides confidence to institutional and corporate clientele, further enhancing its competitive edge. An examination of the company's financial performance reveals a nuanced landscape. Despite volatile revenue growth during FY2020-23 period, indicative of an industry in its nascent stages, ETL exhibits resilience amidst the front-loading of costs and the gradual realization of profit. While net profit has shown improvement driven by enhanced cost control measures, key financial ratios such as ROE and ROA remain subdued at 2.7% and 0.8% respectively, thereby signalling the need for sustained performance and operational efficiency. **Positioned within the future-oriented segments of green energy and green mobility, the company is poised to benefit from heightened demand and market dynamics. However, the sustainability of net margins and ROE will be pivotal in determining the company's long-term growth trajectory. The issue is priced at a P/E of 23.8x on the upper price band and based on the annualized FY24E earnings, which we feel is fairly valued considering the high valuations awarded to other industry participants. Therefore, we assign a "SUBSCRIBE" rating to the issue.**



Exicom Tele-Systems Ltd.

Key Risks

- ⇒ The company's profitability is contingent upon unpredictable EV adoption, regulatory support, and charger usage, factors that remain subject to fluctuations. Despite India's rapid EV market growth, uncertainties persist in technology, regulations, and consumer preferences, posing substantial risks that could adversely affect business and financial prospects.
- ⇒ The company's dependence on critical customers for revenue exposes it to risks, as the loss of customers due to disputes or financial hardships could significantly impact business operations. To mitigate uncertainties, reliance on purchase orders with firm commitments provides a degree of certainty; however, cancellations may still occur, potentially affecting results and undermining consistent customer demand.
- ⇒ Importing critical raw materials from suppliers in China, Singapore, Hong Kong, and South Korea without fixed-price arrangements exposes the company to volatility in global markets and dependence on overseas suppliers, thereby posing risks to sourcing costs and ultimately impacting operations and profitability.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Revenue				
Revenue from Operations	5,129	8,428	7,079	4,550
Total Revenue	5,129	8,428	7,079	4,550
Expenses				
Cost of Material consumed	1,818	2,301	3,599	2,253
Purchase of Stock-in-Trade	1,895	4,297	1,530	1,200
Changes In Inventories	164	-79	49	-129
Employee benefit expenses	514	557	645	356
Manufacturing Expenses	90	118	149	86
R&D Expenses	33	56	71	58
Other expenses	320	504	512	311
Total Operating Expenses	4,834	7,754	6,555	4,136
EBITDA	295	674	524	415
Depreciation and Amortization expenses	141	153	165	84
Other income	115	62	155	122
EBIT	269	583	514	453
Finance costs	141	185	190	94
Exceptional Loss	-	-	-	-
PBT	128	398	324	359
Current tax	12	78	-	31
Deferred Tax charge/ (credit)	-10	16	14	54
Total tax	2	94	14	84
PAT	127	304	310	275
Diluted EPS	0.4	0.6	0.7	2.9

Source: RHP, BP Equities Research



Exicom Tele-Systems Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Equity and Liabilities				
Equity Share Capital	72	72	72	924
Other Equity	2,062	2,143	2,248	2,190
Total Equity	2,134	2,216	2,320	3,114
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	697	792	833	268
(ii) Lease Liabilities	159	151	116	108
(iii) Other Financial Liabilities	21	14	10	13
Provisions	90	84	81	88
Current Liabilities				
Financial Liabilities				
(i) Borrowings	321	285	346	460
(ii) Lease Liabilities	42	49	35	25
(iii) Trade Payable	321	342	257	256
(iv) Other financial liabilities	2,604	1,312	2,562	1,503
Current tax liabilities	103	124	160	239
Provisions	210	636	301	168
Other current liabilities	84	27	30	51
Total Current Liabilities	3,684	2,774	3,691	2,702
Total liabilities	4,650	3,814	4,731	3,180
Total Equity and Liabilities	6,785	6,030	7,051	6,294
Assets				
Non-Current Assets				
Property, plant and equipment	670	653	499	530
Capital work in Progress	-	-	-	112
Right -of-use Assets	197	189	135	115
Goodwill on consolidation	4	3	2	-
Intangible Assets (Other than Goodwill)	63	162	156	226
Intangible Assets under development	190	175	46	5
Financial Assets				
(i) Investments	9	9	12	13
(ii) Trade Receivables	1	99	67	66
(iii) Others	34	44	37	37
Income tax assets(net)	288	233	220	140
Other non current assets	47	130	132	135
Total Non current assets	1,503	1,698	1,305	1,380
Current Assets				
Inventories	1,167	1,361	1,283	1,458
Trade Receivables	3,281	1,686	3,145	1,951
Cash and cash equivalents	145	432	380	516
Bank Balances	215	122	139	149
Others	10	7	8	13
Current Tax Assets	-	61	102	33
Other current assets	463	662	689	796
Total Current Assets	5,281	4,332	5,746	4,915
Total Assets	6,785	6,030	7,051	6,294

Source: RHP, BP Equities Research

Exicom Tele-Systems Ltd.

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23	H1FY24
Cash flow from operating activities	-135	560	26	293
Cash flow from investing activities	-202	-102	77	-164
Cash flow from financing activities	465	-172	-155	9
Net increase/(decrease) in cash and cash equivalents	128	287	-52	138
Cash and cash equivalents at the beginning of the period	17	145	432	378
Cash and cash equivalents at the end of the period	145	432	380	516

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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