

RETAIL EQUITY RESEARCH

Exicom Tele-Systems Ltd.

Power Management Solutions

SENSEX: 72,822

NIFTY: 22,122

SUBSCRIBE

Price Range Rs.135- Rs.142

Pioneers in the manufacturing of EV chargers....

Exicom Tele-Systems Ltd. (ETSL), incorporated in 1994, is a power management solutions provider which specialises in DC power systems, Li-ion-based energy storage solutions, and electric vehicle (EV) charging. It has a market share of 16% in DC power systems and 10% in Li-ion battery applications for the telecom sector market, and a market share of 60% and 25% in the residential and public charging segments, respectively. They operate three manufacturing facilities in India, comprising Solan Facility situated at Solan, Himachal Pradesh, and Gurugram Facility I and Gurugram Facility II situated at Gurugram, Haryana.

- India's telecommunications power systems market is projected to grow from ₹15 billion in FY23 to ₹24 billion in FY28 at an 8.5% CAGR. Energy storage solutions are also expected to grow from ₹19.5 billion in FY23 to ₹36.1 billion in FY28.
- CRISIL Market Intelligence & Analytics predicts EV charging market value to grow to ~₹13-14 billion in FY24 due to doubled EV sales and a 50% increase in public charging stations.
- The company has undertaken a pre-IPO placement of 52.59 lakh equity shares at an issue price of ₹135 per share, aggregating to ₹71cr, bought by investors like Rare Enterprise, Belgrave Investment Fund etc.
- The total order received from the electric vehicle charging solutions business grew to ₹133.9cr in H1FY24 from ₹85.6cr in H1FY23. Additionally, orders from the critical power business grew 42% YoY to ₹603cr at the end of H1FY24.
- They provide EV chargers to automotive OEMs like Mahindra & Mahindra Limited, MG Motors Ltd., and JBM Ltd., as well as charge point operators such as Reliance BP Mobility Ltd. (JioBP). They also serve telecommunications companies like Jio Infocom Ltd., and tower companies like Indus Tower.
- ETSL's revenue grew from ₹512.9cr in FY21 to ₹ 707.9cr in FY23, representing a CAGR of 17.5%, while its PAT grew from ₹12.7cr in FY21 to ₹31cr in FY23 at a CAGR of 56.5%. In FY23, the company's key performance indicators of ROE stood at 13.4% and ROCE at 13.7%.
- In H1FY24, revenue from operations more than doubled to ₹455cr and net profit of ₹27.4cr as against a loss a year ago.
- At the upper price band of Rs.142, ETSL is available at a P/E of 31x (FY24E Annualised), which appears to be fully priced. Considering the EV sector's robust outlook, Company's first mover advantage in both power management solutions and EV charging infrastructure, improving financial and operational track record and future expansion plans, we assign a "Subscribe" rating on a medium to long term basis.

Purpose of IPO

The IPO consists of fresh issue totalling to ₹329cr and offer for sale amounting to ₹100cr. The proceeds of the fresh issue will be used towards setting up production lines at the manufacturing facility in Telangana(₹145.8cr), investment in R&D as well as product development(₹40cr), and payment of debt (₹50.3cr) to support working capital requirements (₹69cr) and for general corporate purposes.

Key Risks

- Slowdown or decline in the adoption of EVs could negatively impact the company's profitability and growth prospects.
- The company's critical power solutions business depends heavily on its top five customers, who contribute a significant portion of revenue (51% of revenue in FY23).

Peer Valuation

| Company | MCap(₹ cr) | Sales (₹ cr) | EBITDA(%) | PAT (%) | EPS(₹) | RoE (%) | Mcap/Sales (x) | P/E(x) | EV/EBITDA(x) | CMP |
|-------------------------|------------|--------------|-----------|---------|--------|---------|----------------|--------|--------------|-----|
| Exicom Tele-Systems | 1,716 | 708 | 7.4 | 4.4 | 2.6 | 13.4 | 2.4 | 55.3 | 35.3 | 142 |
| Servotech Power Systems | 2,060 | 275 | 6.7 | 4.0 | 0.6 | 13.5 | 7.5 | 173.2 | - | 97 |
| HBL Power Systems | 14,227 | 1,368 | 10.9 | 7.2 | 3.5 | 10.9 | 10.4 | 146.6 | 17.3 | 513 |

Source: Geojit Research, Bloomberg; Valuations of ETSL are based on upper end of the price band (post issue), Financials as per FY23 consolidated.

| Issue Details | |
|--|--|
| Date of opening | February 27, 2024 |
| Date of closing | February 29, 2024 |
| Total No. of shares offered (cr.) | 3.02 |
| Post Issue No. of shares (cr) | 12.1 |
| Price Band | ₹135- ₹142 |
| Face Value | ₹10 |
| Bid Lot | 100 Shares |
| Minimum application for retail (upper price band for 1 lot) | ₹ 14,200 |
| Maximum application for retail (upper price band for 14 lot) | ₹ 1,98,800 |
| Listing | BSE,NSE |
| Lead Managers | Monarch Network capital, Unistone capital, Systematix Corporate Services |

Registrar Link Intime India Pvt Ltd

| Issue size (upper price) | Rs.cr |
|--------------------------|------------|
| Fresh Issue | 329 |
| OFS | 100 |
| Total Issue | 429 |

| Shareholding (%) | Pre-Issue | Post Issue |
|--------------------------|--------------|--------------|
| Promoter & Promo. Group. | 93 | 70 |
| Public & Others | 7 | 30 |
| Total | 100.0 | 100.0 |

| Issue structure | Allocation (%) | Size Rs.cr |
|----------------------|----------------|--------------|
| Retail | 10 | 42.9 |
| Non-Institutional | 15 | 64.3 |
| QIB | 75 | 321.7 |
| Employee Reservation | - | |
| Total | 100 | 429.0 |

| Y.E March (Rs cr) Consol. | FY22 | FY23 | H1FY24 |
|---------------------------|-------|-------|--------|
| Sales | 842.8 | 707.9 | 455.0 |
| Growth (%) | 64.3 | -16.0 | - |
| EBITDA | 67.4 | 52.4 | 41.5 |
| Margin(%) | 8.0 | 7.4 | 9.1 |
| PAT Adj. | 30.4 | 31.0 | 27.5 |
| Growth (%) | 139.8 | 2.1 | - |
| EPS | 2.5 | 2.6 | 2.3 |
| P/E(x) | 56.4 | 55.3 | 31* |
| EV/Sales (x) | 2.2 | 2.6 | 4.0 |
| RoE (%) | 13.7 | 13.4 | 8.8 |

*Annualised



Business Description:

Incorporated in 1994, Exicom Tele-Systems Ltd(ETSL) is a power management solutions provider which operates under two business verticals, (i) Electric vehicle supply equipment (EV Charger(s)) solutions business, wherein they provide smart charging systems with innovative technology for residential, business, and public charging use in India (EV Charger Business); and (ii) Critical power solutions business, wherein they design, manufacture and service critical digital infrastructure technology to deliver overall energy management at telecommunications sites and enterprise environments in India and overseas (Critical Power Business). They were amongst the first entrants in the EV Chargers manufacturing segment in India and as of March 31, 2023, they are among the market leaders, with a market share of 60% and 25% in the residential and public charging segments, respectively (Source: CRISIL Report). Furthermore, in their Critical Power Business, they occupy a market share of 16% in the DC Power Systems market and are recognized as a leading player in the market for Li-ion Batteries for application in the telecommunications sector, having a market share of approximately 10% as of March 31, 2023 (Source: CRISIL Report).

They have strategically expanded their presence and operations to overseas markets by establishing three Subsidiaries (including direct and indirect), Exicom Tele-Systems (Singapore) Pte. Ltd. in Singapore, Horizon Power Solutions DMCC in U.A.E., and Horizon Tele-System SDN BHD in Malaysia and are in the process of incorporating a subsidiary in the Netherlands.

Their operations are vertically integrated with end-to-end product development capabilities from concept to design to engineering to prototype testing, along with two dedicated R&D centres, with the extensive product portfolio manufactured in-house at the three manufacturing facilities in India at Solan, Himachal Pradesh and at Gurugram, Haryana, which have an annual capacity of 12,000 DC Power Systems; 44,400 AC chargers and DC fast chargers, and a total built-up area of 134,351.95 sq. ft.

Company has long-standing relationships with established customer base. During the six months ended September 30, 2023 and the Financial Year, ended March 31, 2023 Company served a diverse customer base of 450 and 350, respectively, through its Critical Power Business and EV Charger Business.

Company has robust plans to expand its customer base to overseas market in the EV Charger Business capitalizing on the growing EV adoption in the Southeast Asia and Europe and for which it has commenced setting up local sales and distribution networks in such regions.

They operate under two business units: (i) Critical Power Business; and (ii) EV Charger Business

Critical Power Business

Under this business vertical, Exicom offers a diversified portfolio of DC power conversion systems (“**DCPower Systems**”) and Li-ion based energy storage solutions to deliver back-up power during grid interruptions (“**Li-ion Batteries**” or “**Energy Storage Solutions**”) and have deployments in India, South East Asia and Africa. The DC Power Systems are typically customized to customers’ specifications for use cases at telecommunications sites, including at large central offices, renewable hybrid sites, base station sites (independent or shared) and small cell/Wi-Fi sites. They have achieved deployment of the DC Power Systems across 15 countries in SouthEast Asia and Africa. The Li-ion Batteries provide back-up power in case of power grid interruptions or intermittent renewable energy supply and are based on modular and parallelable platforms supported by the proprietary battery management system (“**BMS**”) and can be combined to make battery systems to meet the requirements of the end-application. As of September 30, 2023, the Company has deployed 470,810 Li-ion Batteries for application in the telecommunications sector, equivalent to a storage capacity of over 2.10 GWH.

Electric Vehicle Supply Equipment Business (EV Charger Business)

The EV Charger Business provides slow charging solutions, i.e., AC chargers primarily for residential use, as well as fast charging solutions, i.e., DC chargers for business and ‘public charging’ networks in cities and on highways to a diverse customer base, including established automotive OEMs (passenger cars as well as EV buses), charge point operators (“**CPOs**”), and fleet aggregators. As of September 30, 2023, they had deployed over 61,000 EV chargers across 400 locations in India (Source: CRISIL Report).

Strengths

- Established player with an early-mover-and-learner advantage in the Indian EV Charger market, a fastgrowing industry characterized by high entry barriers.
- Domain experience and know-how and diversified product portfolio with a track record of demonstrated outcomes in critical cases.
- Vertically integrated operations, backed by manufacturing capabilities, robust supply chain, significant research and development activities and sales and marketing initiatives.
- Significant product development and focussed engineering capabilities.
- Track record of long-standing relationships with an established customer base.
- Experienced and qualified leadership and management team.

Key strategies

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

Industry outlook

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 ~ ₹ 15 billion for Financial Year 2023, with upgradation and replacement demand expected to drive the industry with 75% demand while balance 25% demand expected on account of new tower additions. The energy storage solutions market for telecommunications is valued at ₹ 19.5 billion in Financial Year 2023, while the market size for Li-ion battery energy storage systems in data centers is valued at ₹ 3.2 billion in Financial Year 2023. CRISIL MI&A estimates the current EV charging market in India to be valued at ~ ₹ 8.5 billion as of Financial Year 2023.

Promoter and promoter group

The Promoters of the company are NextWave Communications Private Limited; and Anant Nahata. The promoters and promoter group currently hold a pre-issue shareholding stake of 93.28 per cent in the company.

Brief Biographies of directors

- ◆ **Anant Nahata** is the Managing Director and Chief Executive Officer of the Company. He is also the individual Promoter of the Company. He has been a Director on the Board since June 4, 2008. He holds a bachelor's degree in arts (economics) from the University of Pennsylvania. He was previously associated with Credit Suisse Securities (USA) LLC and Koovs Marketing Consulting Private Limited.
- ◆ **Vivekanand Kumar** is a Whole Time Director of the Company. He has been a Director on the Board since August 21, 2023. He was previously the Vice President – Operations of the Company and has been associated with the Company since January 27, 2021. He has been previously associated with Autoliv India Private Limited, Hydraulics Limited, Gates India Private Limited, GKN Drive (India) Limited, Caparo Engineering India Private Limited and Roop Automotives Limited.
- ◆ **Subhash Chander Rustgi** is a Non-Executive Director of the Company. He has been a Director on the Board since September 1, 2015. He was previously associated with Himachal Futuristic Communications Limited and Bharat Electronics Limited.
- ◆ **Himanshu Baid** is an Independent Director of the Company and Chairman of the Board. He has been a Director on our Board since November 11, 2008.
- ◆ **Leena Pribhdas Gidwani** is an Independent Director of the Company. She has been a Director on the Board since April 1, 2020. She was previously associated with Grindlays Bank, Hongkong and Shanghai Banking Corporation Limited, HSBC Bank plc, HSBC Electronic Data Processing India Private Limited, the Royal Bank of Scotland N.V., HSBC InvestDirect (India) Limited and HSBC InvestDirect Financial Services (India) Limited.
- ◆ **Karen Wilson Kumar** is an Independent Director of the Company. She has been a Director on the Board associated with the Company since September 16, 2023. She was previously associated with India Today Group, RP – Sanjiv Goenka Group, Louis Vuitton India Retain Private Limited.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

| Y.E March (Rs cr) | FY22 | FY23 | H1FY24 |
|-------------------------------|-------------|-------------|-------------|
| Sales | 842.8 | 707.9 | 455.0 |
| % change | 64.3 | -16.0 | - |
| EBITDA | 67.4 | 52.4 | 41.5 |
| % change | 128 | -22 | - |
| Depreciation | 15.3 | 16.5 | 8.4 |
| EBIT | 52.2 | 36.0 | 33.1 |
| Interest | 18.5 | 19.0 | 9.4 |
| Other Income | 6.2 | 15.5 | 12.2 |
| Exceptional items | - | - | - |
| PBT | 39.8 | 32.4 | 35.9 |
| % change | 210 | -18.4 | - |
| Tax | 9.4 | 1.4 | 8.4 |
| Tax Rate (%) | 24.0 | 4 | - |
| Reported PAT | 30.4 | 31.0 | 27.5 |
| Adj | - | - | - |
| Adj. PAT | 30.4 | 31.0 | 27.5 |
| % change | - | - | - |
| Post issue No. of shares (cr) | 12.1 | 12.1 | 12.1 |
| Adj EPS (Rs) | 2.5 | 2.6 | 2.3 |
| % change | 139.8 | 2.1 | - |

BALANCE SHEET

| Y.E March (Rs cr) | FY22 | FY23 | H1FY24 |
|-------------------------------|--------------|--------------|--------------|
| Cash | 55.4 | 51.9 | 66.5 |
| Accounts Receivable | 168.6 | 314.5 | 195.1 |
| Inventories | 136.1 | 128.3 | 145.8 |
| Other Cur. Assets | 73.1 | 79.9 | 84.2 |
| Investments | 5.3 | 4.9 | 5.0 |
| Deff. Tax Assets | 23.3 | 22.0 | 14.0 |
| Net Fixed Assets | 84.2 | 63.3 | 64.5 |
| CWIP | - | - | 11.2 |
| Intangible Assets | 34.0 | 20.4 | 23.1 |
| Other Assets | 22.9 | 19.9 | 20.2 |
| Total Assets | 603 | 705 | 629 |
| Current Liabilities | 229.0 | 312.0 | 192.7 |
| Provisions | 11.1 | 11.1 | 13.7 |
| Debt Funds | 129 | 134 | 87.5 |
| Other Fin. Liabilities | 12.4 | 16.0 | 23.9 |
| Deferred Tax liability | - | - | 0.2 |
| Equity Capital | 7.2 | 7.2 | 92.4 |
| Reserves & Surplus | 214.3 | 224.8 | 219.0 |
| Shareholder's Fund | 221.6 | 232.0 | 311.4 |
| Total Liabilities | 603 | 705 | 629 |
| BVPS (Rs) | 18.3 | 19.2 | 25.8 |

CASH FLOW

| Y.E March (Rs cr) | FY22 | FY23 | H1FY24 |
|-------------------------------|--------------|--------------|--------------|
| PBT Adj. | 39.8 | 32.4 | 35.9 |
| Non-operating & non cash adj. | 13.4 | 9.5 | -26.8 |
| Changes in W.C | 2.9 | -39.3 | 20.2 |
| C.F.Operating | 56.1 | 2.6 | 29.3 |
| Capital expenditure | -20.0 | 7.7 | -12.0 |
| Change in investment | 8.5 | -1.0 | 4.57 |
| Sale of investment | - | - | - |
| Other invest.CF | 1.3 | 0.9 | -8.9 |
| C.F - investing | -10.2 | 7.7 | -16.4 |
| Issue of equity | - | - | - |
| Issue/repay debt | -17.2 | -15.5 | 1 |
| Dividends paid | - | - | - |
| Other finance.CF | - | - | - |
| C.F - Financing | -17.2 | -15.5 | 0.9 |
| Change. in cash | 28.7 | -5.2 | 13.8 |
| Opening Cash | 14.5 | 43.2 | 37.8 |
| Closing cash | 43.2 | 38.0 | 51.5 |

RATIOS

| Y.E March | FY22 | FY23 | H1FY24 |
|-------------------------------|------|------|--------|
| Profitab. & Return | | | |
| EBITDA margin (%) | 8.0 | 7.4 | 9.1 |
| EBIT margin (%) | 6.2 | 5.1 | 7.3 |
| Net profit mgn.(%) | 3.6 | 4.4 | 6.0 |
| ROE (%) | 13.7 | 13.4 | 8.8 |
| ROCE (%) | 13.0 | 13.7 | 9.4 |
| W.C & Liquidity | | | |
| Receivables (days) | 108 | 125 | 67 |
| Inventory (days) | 70 | 91 | 75 |
| Payables (days) | 72 | 145 | 70 |
| Current ratio (x) | 1.8 | 1.8 | 2.4 |
| Quick ratio (x) | 1.0 | 1.2 | 1.4 |
| Turnover &Levg. | | | |
| Net asset T.O (x) | 9.9 | 9.6 | 7.0 |
| Total asset T.O (x) | 1.3 | 1.1 | 0.8 |
| Int. covge. ratio (x) | 2.8 | 1.9 | 3.5 |
| Adj. debt/equity (x) | 0.6 | 0.6 | 0.3 |
| Valuation ratios | | | |
| EV/Sales (x) | 2.2 | 2.6 | 4.0 |
| EV/EBITDA (x) | 27.4 | 35.3 | 43.5 |
| P/E (x) | 56.4 | 55.3 | 31* |
| P/BV (x) | 7.7 | 7.4 | 5.5 |

*Annualised

DISCLAIMER & DISCLOSURES

Certification

We, Mithun T Joseph and Rajeev T, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Regulatory Disclosures:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd (P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations(yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that we, Mithun T Joseph and Rajeev T, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. **Standard Warning:** "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

