Exicom Tele-Systems Limited

August 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	58.00	CARE BBB+ (RWD)	Placed on Rating Watch with Developing Implications
Long Term / Short Term Bank Facilities	70.00	CARE BBB+ / CARE A2 (RWD)	Placed on Rating Watch with Developing Implications
Short Term Bank Facilities	92.00	CARE A2 (RWD)	Placed on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has placed the long-term & short-term ratings assigned to bank facilities of Exicom Tele-Systems Limited (Exicom) on 'Rating watch with Developing Implications'.

The rating action follows the announcement made on BSE dated August 08, 2024, about Exicom's subsidiary i.e. Exicom Power Solutions B.V. Netherlands entering a definitive agreement, under which it will acquire business and assets of Tritium group of companies, a distinguished global leader in DC fast chargers, headquartered in Australia. In this asset purchase deal the total acquisition cost of key assets (including manufacturing unit and R&D centre besides raw material and finished goods) is USD 35.6 million i.e. ~Rs.300 crore. The management has indicated that the funding pattern is expected to be combination of IPO proceeds deployed towards General Corporate Purpose as per the Objects of the offerand term loan, however exact details remain unclear, hence the rating is placed on Rating watch. CARE Ratings will continue to monitor the progress in this regard and shall review the rating once clarity emerges on funding pattern and its overall impact on the company's credit risk profile.

The ratings assigned to the bank facilities of Exicom Tele-Systems Limited (ETL) factors in significant improvement in operational performance during FY24 (refers to the period from April 01, 2023 to March 31, 2024) driven by increase in revenue from critical power segment followed by strengthening of financial risk profile owing to the equity infusion into the group of Rs.400 crore through Initial Public Offer (IPO) in March, 2024. The ratings continue to derive strength from promoter's extensive experience in power electronics industry, its long-standing relationship with some of the big telecom companies resulting in steady revenue stream over the years and reputed clientele. The ratings also favourably consider ETL's diversified product portfolio, group's healthy order book position in both critical power as well as EV (Electric Vehicle) charging segment providing visibility for revenue growth and improvement in profitability margins, strong research and development (R&D) capabilities developed by the group leading to constant improvement and customization of its products. However, these rating strengths are partially offset by vulnerability of margins to raw material prices and foreign exchange rates. Although the overall working capital intensity of the business remains low, receivables in the power electronics business remain high, especially from the Government clients.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in consolidated revenue leading to improvement in profitability margins with PBILDT margin above 14% on sustained basis.
- Sustained operational performance thereby leading to operational cash flows of above Rs.100 crore on a sustainable basis.

Negative factors

- Any debt-funded capex leading to overall gearing above 0.40x on a sustained basis.
- Decline in operating performance with PBILDT margin below 10% on a sustained basis.

Analytical approach: Consolidated; Consolidated approach has been adopted on account of the common management, operational and financial linkages between the company and its subsidiaries. The entities considered for consolidation are provided in Annexure-6.

Outlook: Not Applicable

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers:

Key strengths

Improvement in operating performance during FY24

During FY24, the group reported total operating income of Rs.1,026.47 crore (PY: Rs.708.56 crore). The revival in scale is primarily owing to increase in revenue from telecom segment (contributing ~66% of total operating income) with increase in revenue from sale of lithium-ion batteries. The PBILDT margin of the group also improved substantially to 11.66% in FY24 (7.58% during FY23) due to the improved gross margin and higher revenue improving the overall profitability. Further, the group also started own manufacturing of cell modules, post the govt notification of increasing basic customs duty (BCD) on import of batteries, thereby leading to better margins. Consequently, the PAT margin of the group also improved to 6.23% in FY24 (1.06% in FY23). Going forward, with expected increase in revenue contribution of EV charger segment, the PBILDT margin of the group is expected to improve further and remain in the range of ~11%-12%.

Q1FY25 (refers to period from April 2024 to June 2024): During Q1FY25, the company reported total operating income of Rs.259.24 crore (Q1FY24: Rs.269.17 crore). Further, the PBILDT margin of the company improved and stood at 12.34% in Q1FY25 (Q1FY24: 8.20%) and the PAT margin also improved and stood at 7.04% in Q1FY25 (Q1FY24: 3.58%).

Substantial improvement in liquidity post Successful completion of IPO

Post the successful completion of IPO, there was an equity infusion of Rs.400 crore into the company, thereby leading to stronger net-worth base of Rs.701.34 crore as on March 31, 2024 with consequent improvement in overall gearing to 0.10x as on March 31, 2024 (PY: 0.35x). These funds have been utilized towards ongoing capex in Telangana, prepayment of debt, to fund the incremental working capital gap as a result of expected increase in scale of operations, investment into R&D and product development and for general corporate purpose. The planned capex in Telengana for Rs.170.83 crore is for the purpose of setting up a unit for manufacturing of EV charging stations along with assembling of lithium-ion batteries and the same is expected to achieve COD by end of FY25.

Established track record with extensive experience of promoters in the industry

ETL was incorporated in the year 1994 for the manufacturing of critical power components which finds application in the telecom sector. Mr. Anant Nahata, Managing Director leads the overall strategy and planning, product development, business development and marketing activities of ETL. The top management team of ETL is ably supported by experienced second line of management. Mr. Manoj Kohli has been recently appointed as Non-Executive Independent Director and has prior experience of working with some of the big telecom companies like Bharti Enterprises Limited, as a Managing Director and also has key contribution in building Airtel as a no.3 telco in the world from 2 million customers to over 400 million customers. Further, the company also appointed Ms. Mahua Acharya, who served as MD and CEO, Convergence Energy Services Ltd., Government of India and has held various other roles such as Assistant Director General, Global Green Growth Institute; MD & CEO, Cquest Capital India; Deal manager with World Bank, Washington, DC; as project manager, World Business Council for sustainable Development, Geneva and member of board of South Pole Asset Management, Zurich.

Strong R&D capabilities

The group has in-house R&D Centre recognized by the Department of Science and Technology, Government of India (GoI). This has enabled the group to develop products for the EV segment—batteries (now hived off) and chargers, which are being supplied to established players in the segment and remains focused on expanding its presence in electric vehicles. In FY24, the company had spent Rs. 20.53 Cr on Research & Development expenses as against Rs. 19.32 Cr during the previous year.

Reputed clientele and sound order book position

The group's clientele comprises of some of the reputed telecom companies including Skipper Limited, Bondada Engineering Private Limited, and Indus Towers Limited among others. The group had healthy unexecuted order book of Rs.320.83 crore as on May 31, 2024, which includes Rs.181.87 crore of orders from tower companies for telecom segment and balance from automobile sector for EV charging segment and services. It also shows the increasing demand for EV segment, which would result in healthy revenue-mix.

Key weaknesses

High level of receivables

The receivables for the group usually remain on the higher side as in the critical power segment, the company primarily deals with the PSUs, where the payment terms range between 90 – 120 days. However, the company also deals with certain private players in critical power segment, where the payment terms are generally around 45 days and in case of EV chargers business segment, the payment terms generally remain in the range of 60 – 75 days. As on March 31, 2024, the collection period, though on the higher side, improved to 97 days (127 days as on March 31, 2023). The same was a result of improvement in scale of operations along with the customer-mix being more skewed towards private players as on March 31, 2024.

Vulnerability of profitability to volatility in raw material prices and forex fluctuation

The group procures lithium-ion cells from China and sells it in the domestic market as well as in the countries like Singapore, Malaysia, etc. to name a few which exposes it to foreign exchange fluctuation risk and the group has recorded a forex gain of Rs. 3.16 Cr during FY24 (PY: Loss of Rs.1.70 crore). However, recently the group has started own manufacturing of cell modules in India by installing prismatic machine at one of its manufacturing plants, thereby reducing the import dependence going forward.

Liquidity: Adequate

The liquidity position of the group is adequate as reflected by projected gross cash accruals to the tune of Rs.100.51 crore in FY25 against NCD repayment of Rs.6.94 crore. Further, the average utilization of working capital borrowings stood 58% for trailing 12 months ended May 31, 2024. The group is planning to incur capex of ~Rs.170.83 crore in in FY24-FY25 pertaining to plant and machinery for Telangana plant (operations expected to begin from November, 2024 onwards) which would be funded primarily from IPO proceeds.

Environment, social, and governance (ESG) risks

Environmental: The company has installed solar panels 250 KWH for power generation, used battery operated rickshaws for inter-office movements and used EEE taxi services (EV Vehicles) to contribute to C02 abatement.

Social: The company conducts environmental, health, and safety awareness programs to educate its stakeholders and also provides regular training sessions to its employees to enhance their knowledge and skills in environment, health, and safety practices.

Governance: ETL provides monthly sustainable reports to its stakeholders and customers with transparent and comprehensive information on its ESG performance, risks, and opportunities. The company has maintained 100% compliance with statutory requirements.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Manufacturing Companies
Consolidation
Short Term Instruments

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Telecommunication	Telecommunication	Telecom - Equipment & Accessories	Telecom - Equipment & Accessories

ETL was initially incorporated in the year 1994 as Himachal Exicom Communications Limited to manufacture telecom power equipment such as converters, battery modules, controllers, rectifiers, etc. as a joint venture between Himachal Futuristic Communication Limited and Exicom Australia. However, post the liquidation of Exicom Australia and its subsequent exit, the name of the company was changed to its current name. ETL is engaged in the manufacturing critical power components such as rectifiers, AC to DC converters, etc. and also offers energy storage solutions. The company forayed into the business of EV chargers 2019 onwards. The same contributed ~24% of the total operating income in FY24 (PY: 31%).

Brief Financials (Consolidated) (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	708.56	1026.47	259.24
PBILDT	53.73	119.73	31.98
PAT	8.01	63.92	18.24
Overall gearing (times)	0.30	0.10	NA
Interest coverage (times)	2.83	6.23	10.55

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'; NA: Not Applicable

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating history for last three years: Please refer Annexure-2
Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3
Complexity level of various instruments rated: Annexure-4
Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	58.00	CARE BBB+ (RWD)
Fund-based - ST-Working Capital Demand loan		-	-	-	30.00	CARE A2 (RWD)
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	70.00	CARE BBB+ / CARE A2 (RWD)
Non-fund-based - ST-Letter of credit		-	-	-	62.00	CARE A2 (RWD)

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (03-Apr-24)	1)CARE BBB; Stable (04-Sep-23)	-	-
2	Fund-based - LT-Cash Credit	LT	58.00	CARE BBB+ (RWD)	1)CARE BBB+; Positive (05-Aug-24) 2)CARE BBB+; Stable (17-Apr-24)	1)CARE BBB; Stable (04-Sep-23)	-	-

					3)CARE BBB+; Stable (03-Apr-24)			
3	Non-fund-based - ST-Letter of credit	ST	62.00	CARE A2 (RWD)	1)CARE A2 (05-Aug-24) 2)CARE A2 (17-Apr-24) 3)CARE A2 (03-Apr-24)	1)CARE A3+ (04-Sep-23)	-	-
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	70.00	CARE BBB+ / CARE A2 (RWD)	1)CARE BBB+; Positive / CARE A2 (05-Aug-24) 2)CARE BBB+; Stable / CARE A2 (17-Apr-24) 3)CARE A2 (03-Apr-24)	1)CARE A3+ (04-Sep-23)	-	-
5	Fund-based - LT-Proposed fund based limits	LT	-	-	1)Withdrawn (03-Apr-24)	1)CARE BBB; Stable (04-Sep-23)	-	-
6	Fund-based - ST-Working Capital Demand loan	ST	30.00	CARE A2 (RWD)	1)CARE A2 (05-Aug-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Working Capital Demand loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Exicom Tele-systems (Singapore) Pte. Limited	Full	**Wholly-owned subsidiary**
2	Horizon Tele- systems SDN-BHD	Full	**Wholly-owned subsidiary**

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in	Sajan Goyal Director **CARE Ratings Limited** Phone: 91-120-4452017 E-mail: sajan.goyal@careedge.in Sachin Mathur Associate Director **CARE Ratings Limited** Phone: 91-120-4452054 E-mail: sachin.mathur@careedge.in Akanksha Dutta Lead Analyst **CARE Ratings Limited** E-mail: Akanksha.dutta@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information,
please visit www.careedge.in