JULY 14, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF EXICOM TELE-SYSTEMS LIMITED

Ratings

Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	27.5 (enhanced from RS.11 crore)	CARE BBB- (Triple B Minus)	Revised from CARE BB+ (Double B Plus)
Short-term Bank Facilities	41.00 (enhanced from RS.24 crore)	CARE BBB-/CARE A3 (Triple B Minus/ A Three)	Revised from CARE BB+/ CARE A4 (Double B Plus/A Four)

Rating Rationale

The revision in the ratings of Exicom Tele-Systems Limited (ETL) factors in the profitable scale up of operations and comfortable order book position providing adequate revenue visibility. The ratings continue to derive strength from its experienced promoters, diversified product portfolio, strong research and development base and positive outlook for renewable energy sector. The ratings also take into account the strategic investments made for product development in FY15 (refers to the period April 1 to March 31).

These rating strengths are, however, partially offset by its moderate financial risk profile, working capital-intensive nature of operations and ETL being a relatively smaller player in a highly competitive business segment.

Going forward, scaling up of operations with sustainable profit margins amidst intense competition and effective working capital and capital structure management would be the key rating sensitivities.

Background

ETL was originally incorporated on May 9, 1994, as Himachal Exicom Communications Limited to manufacture telecom power equipment and offering power solutions (power converters) as a joint venture between Himachal Futurisitic Communication Limited (HFCL; rated ‘CARE BBB’, ‘CARE A3’) and Exicom Australia. After liquidation and exit of Exicom Australia in 1995, the company carried on operations of manufacturing switch mode power supply (SMPS) and other telecom power supplies on its own and changed its name to the present one in August 2008. HFCL’s stake in the company as on March 31, 2015 was 12.40%.

The company generates revenue from four segments, viz, Power (manufacturing of telecom power equipment), EPC (system integrator for off-grid solar projects), Lithium-ion (Li-ion) battery-based power solutions and after sale services (through annual maintenance and O&M contracts). The company over the years, has added new products to its repertoire and also diversified in renewable energy sector in June 2012 and established a new manufacturing unit in Gurgaon for manufacturing of CBMS, small capacity power plants and Integrated Telecom Power Unit (ITPU) which finds application in telecom sector.

ETL achieved a total operating income of Rs.148.30 crore and net profit of Rs.3.60 crore in FY15 as against a total income of Rs.120.89 crore and net profit of Rs.2.82 crore in FY14.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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For detailed Rationale Report and subscription information, please contact us at www.careratings.com

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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