

SEPTEMBER 16, 2016

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

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	27.50	CARE BBB- (Triple B Minus)	Reaffirmed
Long/Short term Bank Facilities	41.00	CARE BBB-/ CARE A3 (Triple B Minus/ A Three)	Reaffirmed
Total Facilities	68.50 (Rs. Sixty eight crore and fifty lakhs only)		

Rating Rationale

The ratings assigned to the bank facilities of Exicom Tele-Systems Limited (ETL) continues to 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 and strong research & development base. The ratings also take into account the strategic investments made for product development in the past years. These rating strengths are, however, partially offset by its moderate financial risk profile, working capital-intensive nature of operations and relatively smaller scale of operations 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 Futuristics Communication Limited (HFCL; rated 'CARE BBB+', 'CARE A2+') 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. As of March 31, 2016, HFCL and its promoter companies holds cumulative equity stake of 90.45% in ETL.

The company generates revenue majorly from two segments viz. Power segment (manufacturing of telecom power equipment and Lithium-ion batteries for telecom tower players) and EPC segment (system integrator for off-grid solar projects). The company over the years, has added new products to its repertoire and also diversified in renewable energy sector. ETL is establishing a new manufacturing unit in Gurgaon for manufacturing of CBMS (Computer-based Message System), small capacity power plants and Integrated Telecom Power Unit (ITPU) which finds application in telecom tower sector.

During FY16 (refers to the period April 01 to March 31), ETL achieved a PAT of Rs.8.57 crore on a total income of Rs.147.69 crore as against PAT of Rs.3.60 crore on a total income operating income of Rs.148.30 crore during FY15.

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**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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