Exicom Tele-Systems Limited

March 20, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term fund based Facilities	0.00	-	Reaffirmed at CARE BBB+; Stable (Triple B Plus; Outlook: Stable) and Withdrawn
Long Term/short term bank facilities	0.00	-	Reaffirmed at CARE BBB+; Stable/ CARE A2 (Triple B Plus; Outlook: Stable/ A Two) and Withdrawn
Total Facilities	**0.00**		

Details of instruments/facilities in Annexure-1

Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BBB+; Stable/ CARE A2' [Triple B Plus; Outlook: Stable/ A Two] assigned to the bank facilities of Exicom Tele-Systems Limited (ETL) with immediate effect. The above action has been taken at the request of Exicom Tele-Systems Limited (ETL) and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

The rating reaffirmation derives strength from its experienced promoters in the power electronics industry and its long standing relationship with Reliance Jio Infocomm Limited (RJIL). The ratings also factors in its comfortable financial risk profile in FY19 (refers to period from April 01 to March 31) as reflected by healthy debt service coverage indicators and its adequate liquidity position. However, the ratings are constrained by the client concentration risk, its susceptibility to technological risk and its presence in the telecom industry with regulatory uncertainty.

Detailed description of the key rating drivers

Key Rating Strengths

Long and established track record with experienced promoters and association with RJIL

ETL was incorporated in the year 1994 for manufacturing of various power systems which find application in the telecom tower sector. ETL supplies Lithium ion batteries for companies in the telecom tower space and has long standing relationship with these companies. RJIL which has been consistently increasing its market share, continues to be its largest client. The company shares strong association with RJIL and continues to be a key vendor for them. Mr. Anant Nahata (Managing Director) leads the overall strategy and planning, product development, business development and marketing activities of ETL. He has a bachelor's degree in economics from University of Pennsylvania, Philadelphia, USA. He is the son of Mr Mahendra Nahata, who has been on the board of RJIL since 2010. Mr Mahendra Nahata, has a business experience of more than thirty five years in the telecom industry and has been associated with various forums related to it. Mr. B.B Tandon (Director) is a retired Chief Election Commissioner and provides ETL with Corporate Governance framework and direction. Mr. Subhash Chander Rustgi (Director) has more than 40 years of experience in telecom industry. The management team of ETL comprising of officials who are technically qualified and highly experienced in their respective domains.

Diversified product portfolio with foray in Energy Storage Solutions & Electric Vehicle charger

ETL has been diversifying its portfolio to reduce its dependence on the Telecom Sector. The company has forayed into new businesses including Energy Storage Solutions in which ETL supplies Li-ion battery. Further, ETL has also ventured into Electric vehicle Charger which has enabled the company to diversify its product offerings with varied applications. ETL also provides services including after-sales services, battery services, R&D services, annual maintenance contracts etc. With rising concerns of climate change, the governments across the world are promoting electric vehicles including Indian government which provides huge scope for the company's products in Energy Storage Solutions & Electric Vehicle charger business.

Strong R&D capabilities

The company has an in-house R&D Centre recognized by the Department of Science and Technology, Government of India (GoI). The R&D team works in relationship with IIT Chennai and Indian Institute of Science (IIS), Bangalore in the power domain for development of key technologies. This provides ample opportunities for the company to be able to deliver customized products as per the specifications of the customer. During FY19, the company has spent Rs.24.26 crore (PY: Rs 14.10 crore) on Research & Development expenses.

Comfortable financial risk profile and healthy debt service coverage indicators

The financial risk profile of ETL has improved characterized by growth in total income from operations by 42.33% to Rs 1008.18 crore in FY19 from Rs 708.35 crore in FY18. PBILDT margin of the company increased from 9.01% in FY18 to 11.35%

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

in FY19 on account of better operating efficiency due to economies of scale with increase in income from services offered by the company. Also, the company's PAT margin has improved from 5.97% in FY18 to 6.86% in FY19. The company's capital structure is comfortable with Overall gearing of 0.24x as on March 31, 2019 (0.24x as on March 31, 2018). Further, PBILDT interest coverage has improved from 8.73 in FY18 to 10.85x in FY19. Total debt to GCA of the company also improved from 0.87x for FY18 to 0.63x for FY19.

Adequate Liquidity
The company has a adequate liquidity position marked by Free Cash and Bank Balance of the company stood at Rs. 54.57 crore as on March 31, 2019 as against Rs. 38.43 crore as on March 31, 2018. The current ratio of the company remained comfortable at 1.62 as on 31st Mar 2019 (vs. 1.48x as on 31st Mar 2018). As on Dec 31, 2019, average fund based utilisation of the company stood at 75.84% and non-fund based utilisation of the company stood at 66.68%.

Key Rating Weaknesses
Client concentration risk
RJIL is the key customer for the company. The company primarily supplies Lithium- Ion battery to RJIL for its telecom towers. With a significant portion of its turnover being derived from a single client, the performance of the company is linked to the growth prospects of its offtaker.

Industry Risk and regulatory uncertainty
The performance of the company is strongly linked to the telecom sector. With the disruptive entry of RJIL, the sector witnessed innovative tariff structure. It increased data up-take in both 3G and 4G segment coupled with increase in infrastructure spending by telecom service operators. The network expansion plans of major telecom operators are subdued due to heavy debt repayment obligations and high spectrum charges. This has a trickle-down effect on the players catering to telecom operators for their infrastructure requirements. However with consolidation in the sector, the remaining three large players are expected to increase spending to ensure strong quality of services to retain their customers and attract new customers. The Company is also susceptible to technology risk, as it is operating in an industry in which technology has been rapidly evolving.

Analytical approach: Not Applicable

Applicable Criteria
Policy on Withdrawal of ratings
Criteria on assigning 'Outlook' and 'Credit watch' to Credit Ratings
Rating methodology – Manufacturing companies
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Consolidation and Factoring linkages in Ratings
Criteria for Short Term Instruments

About the Company
Exicom Tele-Systems Ltd (ETL) was originally incorporated on May 9, 1994 as Himachal Exicom Communications Limited to manufacture telecom power equipment (converters, battery modules, controllers, rectifiers, etc) as a joint venture between Himachal Futuristic Communication Limited (HFCL, rated CARE A-; Negative / CARE A2+) and Exicom Australia. However, after the liquidation 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 in August 2008, the name of the company was changed to the Exicom Tele-systems Limited (ETL). The company has forayed in new businesses including Energy Storage Solutions and Electric Vehicle Chargers.

Covenants of rated instrument / facility: NA

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total Operating Income	708.35	1008.18
PBILDT	63.83	114.47
PAT	42.31	69.16
Overall Gearing (times)	0.24	0.24
Interest coverage (times)	8.73	10.85

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-BG/LC	-	-	-	0.00	Withdrawn
Term Loan-Long Term	-	-	-	0.00	Withdrawn

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	-	-	-	1)CARE BBB+; Stable (07-Jan-19)	1)CARE BBB; Stable (09-Oct-17)	1)CARE BBB- (16-Sep-16)
2.	Non-fund-based - LT/ ST-BG/LC	LT/ST	-	-	-	1)CARE BBB+ / CARE A2 (07-Jan-19)	1)CARE BBB; Stable / CARE A3+ (09-Oct-17)	1)CARE BBB- / CARE A3 (16-Sep-16)
3.	Term Loan-Long Term	LT	-	-	-	1)CARE BBB+; Stable (07-Jan-19)	1)CARE BBB; Stable (09-Oct-17)	1)CARE BBB- (16-Sep-16)

Annexure-3: Details explanation of covenants of the rated facilities

Note on complexity levels of the rated instrument: *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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