

28th February 2024

Exicom Tele-Systems Ltd. – SUBSCRIBE

Investment Thesis

- Exicom Tele-Systems Ltd. (ETSL) is set to launch its initial public offering (IPO) on February 27th, 2024. The Issue size of the ETSL IPO is Rs. 429 crs comprising of OFS worth Rs. 100 crs and Fresh Issue for Rs. 329 crs. The proceeds from the fresh issue are to be utilized for the
 - Setting up of production lines at the Telangana manufacturing facility (Rs. 145 crs)
 - Pre-payment of certain borrowings of the company (Rs. 50 crs).
 - Part funding of working capital requirement (Rs. 69 crs)
 - Invest in the R&D and product development (Rs. 40 crs)
 - General Corporate purposes (Rs. 25 crs)
- ETSL is an India headquartered power management solutions provider, operating under two business verticals,
 - Critical power solutions business (CPS), wherein it designs, manufactures and service DC Power Systems and Li-ion based energy storage solutions to deliver overall energy management at telecommunications sites and enterprise environments in India and overseas.
 - Electric vehicle supply equipment solutions business (EVES), wherein it provides smart charging systems with innovative technology for residential, business, and public charging use in India (EV Charger Business).
- ETSL is amongst the first entrants in the EVES segment in India and as of March 31, 2023, it had a market share of 60% and 25% in the residential and public charging segments, respectively. The CPS, it occupies a market share of 16% in the DC Power Systems market and is recognized 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.

Revenue from business

- The revenue for ETSL has grown at a steady pace of 17.5% from FY21-FY23 to reach Rs. 707.9 crs. During H1FY24, ETSL has reported a topline of Rs. 455 crs which is on track to beat the FY23.

Particulars	FY21	FY22	FY23	H1FY24
Revenue (Rs. In crs)	512.9	842.8	707.9	455.0
EBITDA (Rs. In crs)	116.2	179.1	175.2	41.5
EBITDA Margin (%)	22.7%	21.3%	24.8%	9.1%
PAT (Rs. In crs)	12.7	30.4	31.0	27.5
PAT Margin (%)	2.5%	3.6%	4.4%	6.0%
RoCE (%)	5.3%	17.7%	10.9%	9.2%
RoE (%)	6.0%	13.7%	13.4%	8.8%

IPO Details

Issue Open Date	27 February 2024
Issue Close Date	29 February 2024
Price Band (Rs.)	Rs. 135 – Rs. 142
Issue Size*	Rs. 429.0 crs
Issue Size (Shares)	3.14 crs
Market Lot	100 Shares
Listing Exchanges	NSE / BSE
Face Value (Rs.)	Rs. 10/-

* At highest price band

Key Details

Fresh Issue*	Rs. 329 crs
Issue Type	Book Building
Book Running Lead Manager	Monarch Networth Capital Unistone Securities Systematix Corporate Services
Issue structure	QIB: 75% Non-Institutional: 15% Retail: 10%
Credit of Shares to Demat Account	04 March 2024
Issue Listing Date	05 March 2024

* At highest price band

- The EBITDA margin has also expanded by 209 bps to 24.8% in FY23 from 22.7% in FY21. The PAT has ~2.5x to Rs. 31 crs in FY23 from Rs. 12.7 crs in FY21.
- ETSL has an orderbook of Rs. 580 crs as on 30th Sept 2023. Further, 70% of revenue is contributed by the CPS segment and 30% by EVES.

Key Business Highlights

- **EV Equipment Leader:** ETSL is a major player in India's EV charger market, holding 60% and 25% in the residential and public charging segments. It has a robust network of over 61,000 EV chargers across India and offers both AC and DC charging solutions. Its diverse clientele includes national CPOs, fleet aggregators, and major automotive OEMs.
- **Full-Cycle Production:** Boasting, vertically integrated operations, with in-house R&D and manufacturing across three Indian facilities ETSL has comprehensive capabilities range from product conceptualization to prototyping and production. These facilities specialize in DC power systems, AC/DC EV chargers, and Li-ion batteries, ensuring complete control over the production process.
- **Robust R&D Expertise:** A dedicated team of 145 engineers across two R&D centers focuses on power electronics, firmware, and system engineering for EV chargers and battery packs. Internal testing and third-party labs ensure product quality and compliance.
- **Customer-Centric Solutions:** ETSL boasts a proven history of long-term client relationships and customer-focused solutions. Their diverse customer base of over 450 includes established telecom giants like Jio Infocom Limited and Maxis Telecom, as well as major tower companies. This success stems from a nearly 30-year track record in the critical power sector.

Valuation

At the upper price band, the IPO of ETSL is priced at TTMPE of 55x. There are no direct listed peers in the space however can compare it against electrical equipment manufacturing (EEM) segment. The industry average PE for EEM companies is 78.5x. Given the strong tailwinds in the sector, increased focus on EV transition and dominant position of ETSL in the space, ETSL can generate long term value for investors.

Considering the above we assign a "SUBSCRIBE" rating to the IPO of ETSL. Investors with a long-term horizon can apply for the IPO.

Risk & Concern

- Maximum revenue comes from few customers.
- No long-term agreements with customers.
- Maximum revenue comes from telecommunications sector.
- Significant working capital requirement.

Graphs & Charts

Figure 1: Revenue Trend (Rs. in Crs)

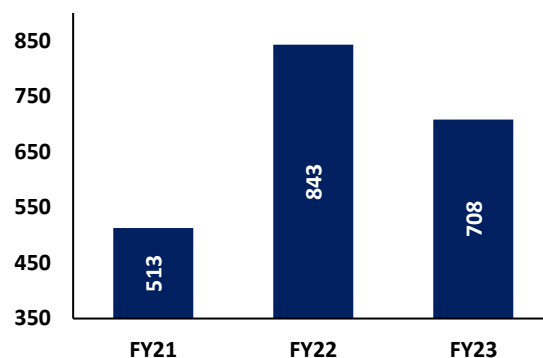


Figure 2: NNPA Trend

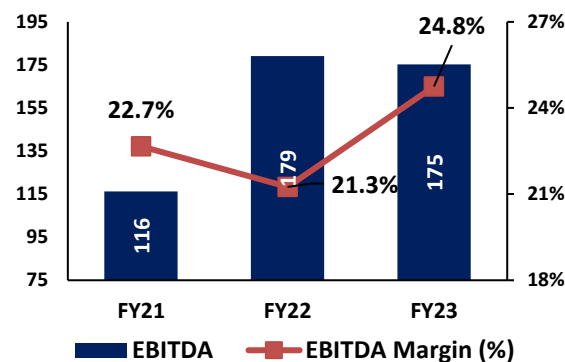


Figure 3: Segment-wise Revenue

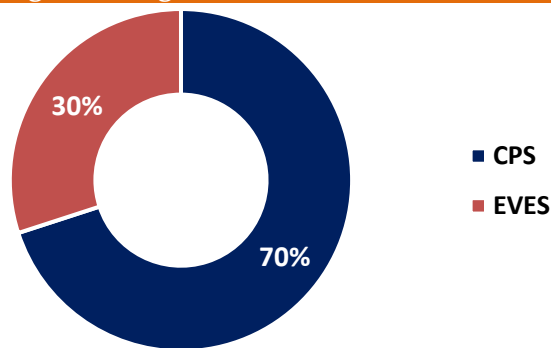
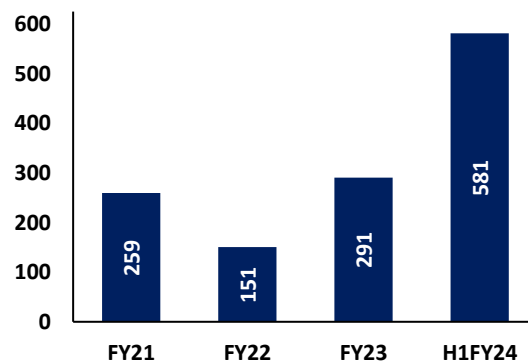


Figure 4: Orderbook Trend



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