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IPO Report

26th Feb'24

Snapshot

Incorporated in 1994, Exicom Tele-Systems Ltd is an India headquartered power management solutions provider, operating under two business verticals, (i) its critical power solutions business, wherein company design, manufacture 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 (“Critical Power Business”); and (ii) electric vehicle supply equipment (“EV Charger(s)”) solutions business, wherein company provide smart charging systems with innovative technology for residential, business, and public charging use in India (“EV Charger Business”) and which commenced commercial sales in the Financial Year ended March 31, 2019.

VALUATION

Company is bringing the issue at price band of Rs 135-142 per share at p/e multiple of 31x on annualized H1FY24 PAT basis. Company is an established player in the Indian EV Charger market, with an early-mover-and-learner advantage in a fastgrowing industry characterized by high entry barriers. Company’s domain experience and know-how and diversified product portfolio with a track record of demonstrated outcomes in critical cases along with vertically integrated operations, backed by manufacturing capabilities, robust supply chain, significant research and development activities and sales and marketing initiative. Company’s significant product development and focussed engineering capabilities along with track record of long-standing relationships with an established customer base; and experienced and qualified leadership and management team.. Hence ,looking after all above we recommend “Subscribe” on issue

Price Band (Rs./Share)	135-142
Opening date of the issue	27th Feb '2024
Closing Date of the issue	29th Feb '2024
No of shares pre issue	92396244 Eq Shares
Issue Size	Rs 424-429 Cr
Fresh issue	Rs 329 Cr
Offer For Sale	Rs 100 Cr
No of Shares	31412500-30211200 Eq Sh
Face Value (Rs/ share)	Rs 10/share
Bid Lot	100

BIDDING DETAILS

QIBs (Including Anchor)	75% of the offer (Approx 22658500 Eq Shares)
Non-Institutional	15% of the offer (Approx 4531600 Eq Shares)
Retail	10 % of the offer (Approx 3021100 Eq Shares)
Lead managers	Monarch Network Capital Ltd, Unistone Capital Pvt. Ltd, Systematix Corporate Services Ltd
Registrar to the issue	Link Intime India Pvt. Ltd

WHAT WE LIKE

Established player with an early-mover-and-learner advantage in the Indian EV Charger market, a fastgrowing industry characterized by high entry barriers

Company had a market share of approximately 60% and 25% in the residential and public charging segments, respectively, as of March 31, 2023 As of September 30, 2023, Exicom has deployed over 61,000 EV chargers across 400 locations in India, by way of sale to OEMs, EV owners (primarily through such OEMs), CPOs for public charging stations and fleet aggregators for captive charging stations . The customers of company’s EV Charger Business include national CPOs such as Reliance BP Mobility Limited (JioBP) and Fortum Charge & Drive India Private Limited, fleet aggregators such as BluSmart Mobility and Lithium Urban Technologies and established automotive OEMs (PVs and EV buses) such as Mahindra & Mahindra Limited, MG Motors Limited and JBM Limited.

Track record of long-standing relationships with an established customer base

During the six months ended September 30, 2023 and the Financial Year ended March 31, 2023, company served a diverse customer base of 450 and 350, respectively, through its Critical Power Business and EV Charger Business. Company commenced operation in 1994 as a critical power solutions provider, wherein it primarily supplied DC Power Systems to state owned Bharat Sanchar Nigam Limited (“BSNL”) and over time-added established telecommunications companies and tower companies as company’s customers in India and overseas. Company serve telecommunications companies like Jio Infocom Limited, Maxis Telecom (an operator in South East Asia) and tower companies like American Tower Corp., Eastcastle Infrastructure DRC S.R.L.U. and Indus Tower.



COMPANY BACKGROUND

Company were amongst the first entrants in the EV Chargers manufacturing segment in India and as of March 31, 2023, company had a market share of 60% and 25% in the residential and public charging segments, respectively. Furthermore, in company's Critical Power Business, company occupy a market share of 16% in the DC Power Systems market and are 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. Company aim to be an impact business contributing to the sustainable energy transition by enabling electrification of transportation, and energy stability of digital communication infrastructure.

Critical Power Business

Company's Critical Power Business delivers overall energy management at telecommunications sites and enterprise environments. Under this business vertical, company offer a diversified portfolio of DC power conversion systems ("DC Power Systems") and Li-ion based energy storage solutions to deliver back-up power during grid interruptions ("Li-ion Batteries" or "Energy Storage Solutions") and have deployments in India, South East Asia and Africa. Company's DC Power Systems are typically customized to customers' specifications for use cases at telecommunications sites, including at large central offices, renewable hybrid sites, base station sites (independent or shared) and small cell/Wi-Fi sites. Company have achieved deployment of its DC Power Systems across 15 countries in South East Asia and Africa. Company's Li-ion Batteries provide back-up power in case of power grid interruptions or intermittent renewable energy supply, and are based on modular and parallelable platforms supported by its proprietary battery management system ("BMS") and can be combined to make battery systems to meet the requirements of the end-application. As of September 30, 2023, company has deployed 470,810 Li-ion Batteries for application in the telecommunications sector, equivalent to a storage capacity of over 2.10 GWH. As per the CRISIL Report, the increasing demand for mobile data and voice services, the growing adoption of 4G and 5G networks, telecommunications power upgrade projects, expansion of telecommunications network in bad-grid and off-grid locations, and overall need for reliable and uninterrupted power supply for telecommunications towers are the key factors driving the growth of telecommunications power industry.

Electric Vehicle Supply Equipment Business ("EV Charger Business")

Company leveraged its nearly three decades of domain experience and know-how in power conversion, energy management and decarbonization solutions, along with tapping into company's existing manufacturing and supply chain operations, to commence its EV Charger Business in 2019, which provides smart electric vehicle ("EV") charging products and solutions. Company is guided by its overall objective of making EV chargers simple to use, future-proof and efficient over their life-cycle. Company's EV Charger Business provides slow charging solutions, i.e., AC chargers primarily for residential use, as well as fast charging solutions, i.e., DC chargers for business and 'public charging' networks in cities and on highways to a diverse customer base, including established automotive OEMs (passenger cars as well as EV buses), charge point operators ("CPOs"), and fleet aggregators. Company's EV charging products are compliant with global standards such as CE, as well as with Indian certification requirements such as the regulatory compliances set by Automotive Research Association of India ("ARAI"). As of September 30, 2023, company had deployed over 61,000 EV chargers across 400 locations in India. Company endeavour to differentiate its EV Chargers by focussing on form factor, performance, and ability to work in harsh environmental and electrical conditions, with an emphasis on achieving increased indigenization.

Company's operations are vertically integrated with end-to-end product development capabilities from concept to design to engineering to prototype testing, along with two dedicated R&D centres, with its extensive product portfolio manufactured in-house at its three manufacturing facilities in India at Solan, Himachal Pradesh and at Gurugram, Haryana, which have an annual capacity of 12,000 DC Power Systems; 44,400 AC chargers and DC fast chargers, and a total built-up area of 134,351.95 sq. ft. Company rely on its in-house R&D capability to manufacture certain key components in-house, relationships with company's vendors and suppliers of key components and company's vertically integrated operations and utilization of common manufacturing and supply chain to exercise a degree of control over its manufacturing costs, including raw material and process costs, which contributes to company's pricing ability. Company's business is supported by an overall employee base of 1,190 (of which 443 are engaged on contractual basis and not on company's rolls) as of September 30, 2023, which includes 732 technically qualified employees (438 diploma holders and 294 engineers). Such employee base includes 50 employees at company's Subsidiaries (overseas), as of September 30, 2023.



INVESTMENT RATIONALE

<p><i>Domain experience and know-how and diversified product portfolio with a track record of demonstrated outcomes in critical cases</i></p>	<p>Given the evolving nature of company’s business and the industries in which company and its customers operate, company focus on product innovation and engineering in order to align its products with evolving technologies and changing customer requirements, towards new customer acquisition as well as retention of existing customers. Since company’s incorporation, company have developed nearly three decades of domain experience and know-how in power conversion, energy management, battery pack and BMS development, supported by its continued R&D efforts and customer relationships. Company have relied on its diversified product portfolio, and its ability to customise its products for specific usage as per company’s customers’ specifications to help company to grow and establish a track record of deployment. Since company’s products are deployed in critical applications in demanding environments, company undertake testing including assessment in high temperature environments before deployment. For instance, company’s DC Power Systems have been purchased by one of its customers to power cable landing stations in Andaman & Nicobar Islands and Lakshadweep Islands to provide connectivity to these islands. One of company’s customers has deployed its DC Power Systems to power a communication network used by the Indian defence forces. Company’s Li-ion Batteries have been used by a customer in Malaysia to power rural sites to provide telecommunications network in non-grid areas. Company’s Li-ion Batteries have also been used to provide backup for mission critical server and data centre equipment. Company’s customers have also used its EV chargers for deployment in the terrains of Leh and Andaman & Nicobar Islands. Additionally, company’s EV chargers are deployed to provide road side assistance in cities and on highways to charge EVs with depleted batteries</p>
<p><i>Vertically integrated operations, backed by manufacturing capabilities, robust supply chain, significant research and development activities and sales and marketing initiatives</i></p>	<p>Company’s operations are vertically integrated with end-to-end product development capabilities from concept to design to engineering to prototype testing, supported by its two dedicated R&D centres, with company’s extensive product portfolio manufactured in-house at its three manufacturing facilities in India at Solan, Himachal Pradesh and at Gurugram, Haryana, which have an annual capacity of 12,000 DC Power Systems; and 44,400 AC and DC EV Chargers, and a total built-up area of 134,351.95 sq. ft. At company’s Gurugram Facility I, company manufacture products for both its Critical Power Business and EV Charger Business, while at company’s Gurugram Facility II, company manufacture Liion Batteries for its Critical Power Business. At company’s Solan Facility, company manufacture AC-DC converters (rectifiers), which are partly utilised for its own manufacturing operations at its Gurugram Facility I. These AC-DC converters (rectifiers) form a component of company’s DCT Power Systems and are sold to its customers along with the DCT Power Systems. Such AC-DC converters (rectifiers) include SMR Centrix 48V/5600W, Solar Charger Photon 48V/2.7KW and SMR Horizon 65V/25A etc. An insignificant portion of the AC-DC converters (rectifiers) manufactured by company are also sold to customers directly as a service spare. Company’s manufacturing facilities have dedicated production lines along with testing, quality assurance and storage facilities.</p>
<p><i>Significant product development and focussed engineering capabilities</i></p>	<p>Company have a dedicated R&D team of 145 employees, as of September 30, 2023, housed at its two R&D centres located in Gurugram, Haryana and Bengaluru, Karnataka. Company’s R&D team focusses on power electronics design, firmware, system engineering (including mechanical and thermal design), EV Charger development and battery pack/BMS development. To validate company’s designs, company have developed internal failure detection capabilities and company also tie up with third party laboratories for compliance testing as per the required standards.</p>



OBJECTS OF OFFER

The Offer comprises a Fresh Issue of Equity Shares, aggregating up to ₹ 3,290.00 million by Company and an Offer for Sale of up to 7,042,200 Equity Shares by the Promoter Selling Shareholder.

Company proposes to utilize the Net Proceeds towards funding the following objects (collectively, the “Objects”):

1. Part-financing the cost towards setting up of production/assembly lines at the planned manufacturing facility in Telangana;
2. Repayment/pre-payment, in part or full of certain borrowings of Company;
3. Part-funding incremental working capital requirements;
4. Investment in R&D and product development; and
5. General corporate purposes.

RISKS

Company’s electric vehicle supply equipment business (“EV Charger Business”) is correlated with and thus dependent upon the continuing rapid adoption of, and demand for electric vehicles (“EVs”)

Source:RHP

INDUSTRY OVERVIEW

Electric Vehicles (“EV”) Industry –

Global & India Global electric vehicle industry

Driven by a global focus on energy transition and the decreasing manufacturing costs, the world of transportation is experiencing an accelerated shift towards electrification. The global electric vehicle (“EV”) industry has evolved rapidly in recent years, driven by several factors, including technological advancements, and government policies. Technological advancements have made EVs more appealing to consumers. Batteries have become more powerful and efficient, and charging infrastructure has improved. This has made it easier for EV owners to charge their vehicles, which has helped to reduce range anxiety. Technological advancements include the development of ultrafast charging, battery swapping, V2V charging, increase in battery technology, and development of other parts like in-wheel motors and e-axles. Government policies have also played a role in the growth of the EV industry. Many countries have introduced subsidies and tax breaks for EVs, and some have even set emission targets that require automakers to sell a certain percentage of EVs. The increasing global push for zero-emission transportation, propelled by government targets to decrease the reliance on fossil-fuel vehicles, is driving the rapid expansion of EVs worldwide.

The three biggest EV markets globally are China, the United States, and Europe. China leads with over 60% of the global EV market share. The United States and Europe are the second and third largest markets, respectively.

Global electric passenger vehicle sales outlook

The global electric vehicle market is projected to reach 41.8 million units by 2030 from an estimated 12.8 million units in 2023, at a CAGR of 18.4%. The Asia Pacific region is projected to be the largest market for EVs during the forecast period. EV sales in China are expected to mainly drive EV sales in the Asia Pacific region. Other countries such as India, Japan, and South Korea as well as new markets, including Thailand, Indonesia, Malaysia, and Vietnam, will also contribute to the Asia Pacific EV market. South Korea is expected to be the second-largest EV market in the region in 2023, followed by India and Japan. The European EV market is projected to reach 8.8 million units in 2030 from 2.7 million units estimated in 2023. The market for EVs in North America is expected to be led by the demand for low-emission cars in the region with the support of top OEMs, charging providers, and other industry participants. The North American electric vehicle market is projected to account for about 3.2 million units by 2030 growing at CAGR of 13.1% from 2023. The US is expected to remain the dominant market in this region for EVs and speed up its growth due to the new target of 500,000 public charging points and 50% EV sales by 2030, along with the large and fast-growing demand for EVs in the region.



Consolidated Financials

(Rs in Mn)

Financials	FY21	FY22	FY23	H1FY24
Total Revenue (A)	5129.05	8428.05	7079.30	4550.42
Total Expenditure (B)	4833.9	7753.84	6554.94	4135.78
EBIDTA	295.15	674.21	524.36	414.64
EBIDTA Margin	5.75	8.00	7.41	9.11
Other Income	114.59	61.52	154.69	121.71
Depreciation	140.84	152.71	164.66	83.53
EBIT	268.90	583.02	514.39	452.82
Interest	140.62	185.33	189.98	93.69
PBT	128.28	397.69	324.41	359.13
Exceptional	0.00	0.00	0.00	0.00
PBT	128.28	397.69	324.41	359.13
Tax	1.52	93.74	14.10	84.49
PAT	126.76	303.95	310.31	274.64
ROE%	1.62	2.32	2.75	8.82
EPS	0.38	0.56	0.69	2.98
Eq Cap	72.30	72.30	72.30	923.96
Net Worth	2,134.42	2,215.72	2,319.99	3,114.03

(Source: RHP)

Peer Comparison

Company Name	Face value	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>Exicom Tele-Systems Limited</i>	<i>10.00</i>	<i>--</i>	<i>7079.30</i>	<i>3.38</i>	<i>25.24</i>	<i>13.38</i>
Peers						
Servotech Power Systems Limited	1.00	155.96	2748.81	0.52	3.86	13.47
HBL Power Systems Limited	1.00	139.30	13686.78	3.51	34.32	10.35

(Source: RHP)



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