

Recommendation	Subscribe
Price Band	Rs.135-142
Bidding Date	27 – 29 February
Book Running Lead Manager	Monarch Network capital , Unistone, Systematix Group.
Registrar	Link Intime
Sector	Cap. Goods, Li-on Battery Storage And EV Charging

Minimum Retail Application- Detail At Cut off Price

Number of Shares	100
Minimum Application Money	14,200
Payment Mode	ASBA

Consolidated Financials (Rs Cr)	FY22	FY23
Total Income	843	708
EBITDA	52	41
PAT	6	5

Valuations (H1FY24 Ann.)	Upper Band
Market Cap (Rs Cr)	1716
Adj EPS	4.5
PE	31.2
EV/ EBITDA	20.9
Enterprise Value (Rs Cr)	1735

Post Issue Shareholding Pattern

Promoters	69.6%
Public	30.4%

Offer structure for different categories

QIB (Including Mutual Fund)	75%
Non-Institutional	15%
Retail	10%
Post Issue Equity (Rs Cr)	120.82
Issue Size (Rs Cr)	429
Face Value (Rs)	10

Jehan Bhadha
Research Analyst
(+91 22 6273 8174)
jehankersi.bhadha@nirmalbang.com

BACKGROUND

Exicom Tele-Systems operates in 2 key business areas of (i) Critical Power (70% of revenue) wherein it supplies DC Power Systems (16% market share) and Li-ion based energy storage solutions (10% market share) to telecom companies; and (ii) Electric Vehicle Chargers (30% of revenue) where it commands a market share of 60% and 25% in the residential and public charging segments, respectively.

Objects and Details of the Issue:

Total issue size is Rs. 429 Cr comprising of Rs. 329 Cr from Fresh Issue and Rs. 100 Cr from Offer For Sale.

Net Proceeds from the Fresh Issue shall be utilized towards:

- Production lines at the facility in Telangana (Rs. 146 Cr).
- Repayment of borrowings (Rs. 50 Cr).
- Incremental working capital requirements (Rs. 69 Cr).
- Investment in R&D and product development (Rs. 40 Cr).

Investment Rationale:

- Proxy on high growth EV industry witnessing strong tailwinds.
- Established player with an early-mover-and-learner advantage in the Indian EV Charging market.
- The EV Charging industry is characterized by high industry barriers.
- Stable growth outlook for telecommunications power systems & energy storage market in India.
- Demonstrated track record of robust growth in EV charger business; Acceleration in combined revenue for H1FY24.

Valuation and Recommendation:-

Although Telecom is a mature industry, Government's thrust on setting up telecom infra in rural and border areas could provide growth in the Critical Power Business. The EV Charging Business benefits from structural tailwinds in the EV charging industry which is estimated to grow from Rs. 1300 Cr in FY24E to Rs. 9000 Cr by FY28E thereby providing a huge tailwind for Exicom. Thus we are positive on Exicom's listing prospects and recommend to Subscribe to the IPO.

Financials (Rs Cr)	FY21	FY22	FY23	H1FY24 Ann.
Net Revenues	513	843	708	910
Growth	-	64%	-16%	29%
EBIDTA	30	67	52	83
EBITDA Margins	5.8%	8.0%	7.4%	9.1%
PAT	3	5	6	55
Diluted EPS	0.3	0.4	0.5	4.5
ROCE	8%	17%	14%	23%
EV/Sales	3.3	2.1	2.5	2.9
EV/EBITDA	55.9	26.3	33.9	20.9
P/E	497	334	269	31.2

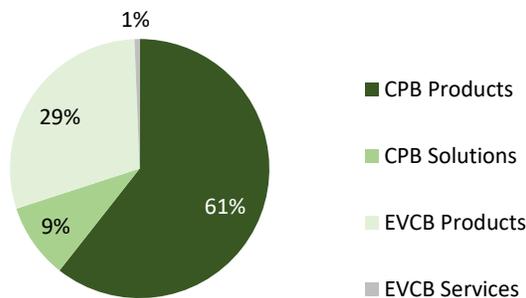
Source: NBRR

Company Background

Founded in 1994, Exicom (Exicom Tele-Systems) is a power management solutions provider, operating under two business verticals:

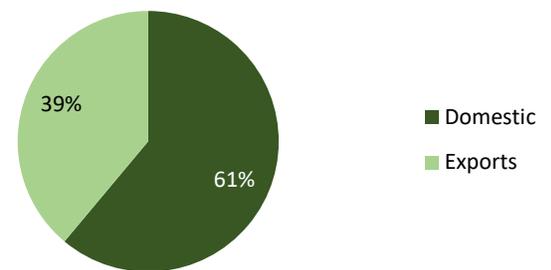
- (i) Critical Power Business (CPB), wherein it designs, manufactures and services DC Power Systems and Li-ion based energy storage solutions to deliver overall energy management at telecommunications sites and enterprise environments in India and overseas. Exicom’s DC Power Systems are used at telecommunications sites, including at large central offices, renewable hybrid sites, base station sites (independent or shared) and small cell/Wi-Fi sites. Company’s Li-ion Batteries provide back-up power in case of power grid interruptions or intermittent renewable energy supply. As of September 30, 2023, Exicom has deployed 470,810 Li-ion Batteries for application in the telecommunications sector, equivalent to a storage capacity of over 2.1 GWH. Exicom has 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.
- (ii) Electric Vehicle Chargers Business (EVCB) started in 2019, wherein it provides smart charging systems (both AC & DC) with innovative technology for residential, business, and public charging use in India. Exicom is amongst the first entrants in the EV Chargers manufacturing 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. As of September 30, 2023, Exicom had deployed over 61,000 EV chargers across 400 locations in India.

Revenue mix by business vertical (H1FY24)



Source: Company, NBRR

Revenue mix by geography (H1FY24)



Source: Company, NBRR

Key Products

Critical Power Business (DC Power Systems)



Indoor Power System



Outdoor Power System



Hybrid Power System

Critical Power Business (Li-ion Batteries)



Modular Battery



Battery Rack System

EV Charger Business



AC Charger – Spin



AC Charger for multiple vehicles



DC Charger – Wall Mounted



DC Charger – Heavy Duty

Investment Rationale

Proxy on high growth EV industry witnessing strong tailwinds

The Indian EV industry is one of the fastest growing markets in the world with growth of over 130% for FY23. EV penetration is expected to grow across vehicle segments, i.e., two-wheelers (2W), three-wheelers (3W), passenger vehicles (PVs), buses and commercial vehicles. The EV PV market is estimated to grow by nine times between FY23 and FY28, at a CAGR of 50% to 60% with 8% to 10% EV penetration, while the electric bus market is estimated to achieve penetration of 14% to 16% by FY28, which translates into growth at a CAGR of 55% to 60%. To support this shift towards EVs in India, the EV charging network will need to ramp up its capacity, presenting a significant, industry-wide market opportunity for EV charging products with a projected total addressable market of Rs. 9000 Cr by FY28 from just Rs. 1300 Cr in FY24 (CAGR of 62%). Globally, EV charging market for public chargers is projected to grow from an estimated 2.61 million units in 2022 to 16.39 million units by 2027, at a CAGR of 44%. There is a growing focus on expanding the charging infrastructure network across India as public charging stations are being installed in cities, highways, and commercial areas; and adoption of fast charging technologies, such as DC fast charging, is increasing.

Established player with an early-mover-and-learner advantage in the Indian EV Charger market

Exicom 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 (Charging Point Operators) for public charging stations and fleet aggregators for captive charging stations. Exicom is amongst the first entrants in the EV Charger manufacturing segment in India, providing it an early-mover-and-learner advantage in the Indian EV industry. Exicom's early-mover-and-learner advantage, leading market share paired with its vertically integrated operations, R&D capabilities and diversified portfolio of EV charging products, positions it to benefit from growth in the EV industry in India and globally.

The EV Charger industry is characterized by high industry barriers

- **Technology evolution:** Electric mobility is a dynamic space that necessitates continual innovation such as quicker charging speeds, compatibility with various EV models, regulatory compliance & user experiences.
- **Performance requirements:** Customers typically expect high uptime, at least 95% power conversion efficiency, and a working temperature range of -10 degrees celsius to 55 degrees celsius.
- **Grid Infrastructure Compatibility:** EV chargers must be compatible with current and future grid utilities, such as smart grid systems and vehicle-to-grid (V2G) technologies. For example, the upcoming ISO15118 standard defines a new type of communication between the charger system, vehicle, and smart grid.
- **Partnerships and alliances:** EV Chargers need to work seamlessly with EV ecosystem of central management systems of various CPOs, existing and new EV models plying on road and with grid where there is functionality of grid load management.
- **Service setup:** Established OEMs have pan India sales and therefore, such OEMs and CPOs would require EV Charger manufacturers to have national presence.

Stable growth outlook for telecommunications power systems & energy storage market in India

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.

The telecommunications power systems market in India is expected to grow from Rs. 1500 cr in FY23 to Rs. 2200 Cr in FY28 at a CAGR of 8.5%. The energy storage solutions market for telecommunications is expected to grow from Rs. 1950 Cr in FY23 to Rs. 3610 Cr in FY28 at CAGR of 13.1%. Furthermore, the proliferation of data centres has heightened the demand for accompanying infrastructure, including energy solutions such as Li-ion Batteries. The market size for Li-ion based battery energy storage solutions for data centres is estimated at approximately Rs. 320 Cr for FY23 and is projected to grow to Rs. 4700 Cr by FY28.

Demonstrated track record of robust structural growth in EV charger business; Acceleration in combined revenue for H1FY24

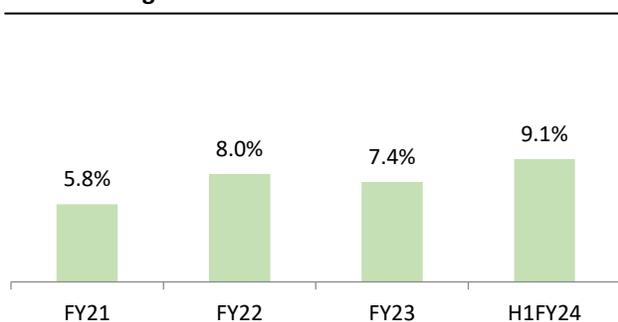
Although the company has delivered a CAGR of 14% in the topline over FY21-23, the EV charging business has grown significantly faster at a CAGR of 125% while the Critical Power business, being a relatively mature business has remained flattish over the same period. Further, during H1FY24, both the businesses have delivered robust growth with combined revenue growing by 111%. Execution in Critical Power Business picked up during H1FY24 on the back of (i) improvement in availability of semiconductors which was an issue during FY23 (ii) large government orders for expansion in villages and border areas and (iii) replacement of old VRLA batteries with Li-ion.

Segmental Revenue

	FY21	FY22	FY23	CAGR	H1FY23	H1FY24	Growth
Critical Power Business	469	772	439	-3%	145	319	120%
<i>Mix in total revenue</i>	91%	92%	66%		67%	70%	
EV Charging Business	44	71	224	125%	71	136	92%
<i>Mix in total revenue</i>	9%	8%	34%		33%	30%	
Total Revenue	513	843	663	14%	216	455	111%

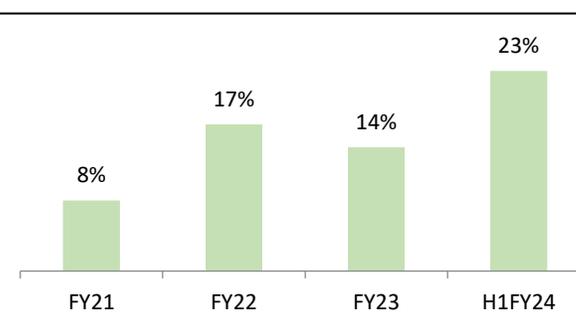
Source: NBRR

EBITDA Margin



Source: Company, NBRR

ROCE



Source: Company, NBRR

Concerns

EV Charging Business is dependent upon the continuing rapid adoption of and demand for electric vehicles

The EV charging business formed 30% of revenue in H1FY24. If the market for EVs develops slower than expected, there can be no assurance that Exicom's past performance will continue at a comparable scale in the future. Alternate technologies like green hydrogen could also pose a major threat to adoption of EVs in the medium to long term. Further a steep fall in crude oil and gas prices could also act as a dampener for the EV industry.

Dependence on global suppliers, particularly China for critical raw materials

Exicom imports 67% of its total raw material requirements such as Li-ion cells and battery packs, semi-conductors, rectifier modules and other critical components required for manufacturing its products from suppliers in China, Singapore, Hong Kong, South Korea and others. China accounted for 61% of its total raw material imports.

Valuation and Recommendation

Exicom is well placed to capitalize on its positioning as a reliable vendor of DC Power Systems and Li-ion Batteries to telecom companies with a market share of 16% and 10% respectively. Although Telecom is a mature industry, Government's thrust on setting up telecom infra in rural and border areas could provide growth in this business. The EV Charger Business benefits from structural tailwinds in the EV charger industry which is estimated to grow from Rs. 1300 Cr in FY24E to Rs. 9000 Cr by FY28E thus providing a huge tailwind for Exicom. Exicom's early-mover-and-learner advantage, leading market share paired with its vertically integrated operations, R&D capabilities and diversified portfolio of EV charging products, positions it to benefit from growth in the EV industry.

Although there is no direct comparable peer for Exicom, HBL & Servotech have overlapping businesses. We observe that Exicom has delivered growth and return ratios which are similar to listed peers while its valuation is at a significant discount. Based on strong industry tailwinds in the EV industry and its dominant market share, we are positive on Exicom's listing prospects and thus we recommend to Subscribe to the IPO.

Listed Comparable Peers

Annualised figures for 9M/H1 FY24	HBL Power Systems	Servotech Power Systems	Average	Exicom Tele- Systems
<u>Annualised Figures</u>	<u>9MFY24 Ann.</u>	<u>9MFY24 Ann.</u>	<u>9MFY24</u>	<u>H1FY24 Ann.</u>
Revenue	2,164	290	1,227	910
CAGR (FY20-24E)	19%	36%	27%	35%
Gross Margin	53%	19%	36%	27%
EBITDA Margin	18.0%	6.8%	12.4%	9.1%
Asset Turns (x)	1.9	2.1	2.0	2.3
ROE	25%	12%	19%	18%
ROCE	31%	14%	22%	23%
EV/Sales	6.7	7.0	6.8	1.9
EV/EBITDA	37	102	70	21
P/E	55	179	117	31

Source: NBRR

Financials

P&L (Rs. Cr)	FY21	FY22	FY23	H1FY24	H1'Ann.
Net Revenue	513	843	708	455	910
% Growth	-	64%	-16%	111%	29%
Raw Materials	388	652	518	332	665
% of Revenues	75.6%	77.3%	73.1%	73.1%	73.1%
Employee Cost	51	56	64	36	71
% of Revenues	10.0%	6.6%	9.1%	7.8%	7.8%
Other expenses	44	68	73	46	91
% of Revenues	8.6%	8.1%	10.3%	10.0%	10.0%
EBITDA	30	67	52	41	83
EBITDA Margin	5.8%	8.0%	7.4%	9.1%	9.1%
Depreciation	14	15	16	8	17
Other Income	11	6	15	12	24
Interest	14	19	19	9	19
PBT	13	40	32	36	72
Tax	0	9	1.41	8	17
Tax rate	1%	24%	4%	24%	24%
PAT	12.7	30.4	31.0	27.5	54.9
(Loss) from discount	-9.2	-25.3	-24.7	0	0
PAT for the period	3.4	5.1	6.4	27.5	54.9
EPS (Post Issue)	0.3	0.4	0.5	2.3	4.5

Return Ratios	FY21	FY22	FY23	H1FY24	H1'Ann.
ROE (%)	2%	2%	3%	18%	18%
ROCE (%)	8%	17%	14%	23%	23%

Turnover Ratios	FY21	FY22	FY23	H1FY24	H1'Ann.
Debtors Days	234	77	166	81	-
Inventory Days	83	59	66	58	-
Creditor Days	208	72	145	71	-
Asset Turnover (x)	1.5	2.4	1.9	2.3	-

Valuation Ratios	FY21	FY22	FY23	H1FY24	H1'Ann.
Price/Earnings (x)	497.3	334.1	269.3	-	31.2
EV/EBITDA (x)	55.9	26.3	33.9	-	20.9
EV/Sales (x)	3.3	2.1	2.5	-	1.9
Price/BV (x)	6.7	6.4	6.1	-	4.6

Source: Company Data, NBRR

Balance Sheet (Rs. Cr)	FY21	FY22	FY23	H1FY24
Share Capital	213	222	232	311
Reserve & Surplus				
Networth	213	222	232	311
Total Loans & Lease Liab.	122	128	133	86
Other non-curr liab.	11	10	9	10
Trade payable	292	165	282	176
Other Current Liab	40	79	49	46
Total Current Liab.	332	244	331	222
Total Equity & Liab.	678	603	705	629
Fixed Assets	146	147	111	118
Inventory	117	136	128	146
Other non Curr. assets	5	13	13	14
Cash	15	43	38	52
Bank Balance	21	12	14	15
Debtors	328	178	321	202
Other Current assets	47	73	80	84
Total Assets	678	603	705	629

Cash Flow (Rs. Cr)	FY21	FY22	FY23	H1FY24
PBT	13	40	32	36
Provisions & Others	5	28	17	9
Op. profit before WC	17	68	50	45
Change in WC	-27	1	-43	(22)
Less: Tax	-4	-13	-4	6
CF from operations	-13	56	3	29
Addition to assets	(18)	(20)	8	(20)
Term deposits & others	-4	8	-1	2
Interest Received	1	1	1	1
CF from Investing	-20	-10	8	-16
Proceeds from issue of equity shares				
Proceeds from borrowing	61	(2)	4	8
Interest Paid	-14	-15	-19	-7
CF from Financing	46	-17	-16	1
Net Change in cash	13	29	-5	14
Cash at beginning	2	15	43	38
Cash at end	15	43	38	52

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Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)

B-2, 301/302, Marathon Innova,
Opp. Peninsula Corporate Park
Off. Ganpatrao Kadam Marg

Lower Parel(W), Mumbai-400013
Board No. : 91 22 6723 8000/8001

Fax. : 022 6723 8010