Exicom Tele-Systems Limited

27-February-24

SUBSCRIBE- LONG TERM

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Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	4,290
Fresh Issue (No. of Shares in Lakhs)	302.11
Offer for Sale (No. of Shares in Lakhs)	70.42
Bid/Issue opens on	27-Feb-24
Bid/Issue closes on	29-Feb-24
Face Value	₹ 10
Price Band	135-142
Minimum Lot	100

Objects of the Issue

- **Fresh Issue: ₹3,290 million**
  - Part-financing the cost towards setting up production/assembly lines at the planned manufacturing facility in Telangana
  - Repayment and/ or pre-payment, in full or part, of certain borrowings availed by the company
  - Funding working capital requirements of the Company.
  - General corporate purposes
- **Offer for sale: 1,000 million**

Book Running Lead Managers
Monarch Networth Capital Limited
Uni-stone Capital Private Limited
Systematix Corporate Services Limited
Registrar to the Offer
Link Intime India Private Limited

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	1,300.00
Subscribed paid up capital (Pre-Offer)	976.56
Paid up capital (Post - Offer)	1,208.25

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	93.3	69.5
Public	6.7	30.5
Total	**100**	**100**

Financials

Particulars (₹ In million)	H1 FY24	H1 FY23	FY23	FY22	FY21
Revenue from operations	**4,550**	**2,159**	**7,079**	**8,428**	**5,129**
Operating expenses	4,136	2,116	6,555	7,754	4,834
EBITDA	**415**	**44**	**524**	**674**	**295**
Other Income	122	52	155	62	115
Depreciation	84	78	165	153	141
EBIT	**453**	**18**	**514**	**583**	**269**
Interest	94	68	190	185	141
Profit before tax and excep item	**359**	**(50)**	**324**	**398**	**128**
Exceptional item	84	18	14	94	2
PBT	**275**	**(68)**	**310**	**304**	**127**
Tax	2.27	(0.56)	2.57	2.52	1.05
Consolidated PAT	**4,550**	**2,159**	**7,079**	**8,428**	**5,129**
EPS	**2.27**	**(0.56)**	**2.57**	**2.52**	**1.05**
Ratios	**H1 FY24**	**H1 FY23**	**FY23**	**FY22**	**FY21**
EBITDAM	9.11%	2.03%	7.41%	8.00%	5.75%
PATM	6.04%	-3.14%	4.38%	3.61%	2.47%
Sales growth			16.00%	64.32%	

Sector- Electric Equipment's **Company Description**

Incorporated in 1994, Exicom Tele-Systems is an India headquartered power management solutions provider, operating under two business verticals, (i) their 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) their electric vehicle supply equipment ("EV Charger(s)") solutions business, wherein they 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. They 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 their Critical Power Business, they 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 aims to be an impact business contributing to the sustainable energy transition by enabling electrification of transportation, and energy stability of digital communication infrastructure. Their 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 their extensive product portfolio manufactured in-house at their 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 their in-house R&D capability to manufacture certain key components in-house, relationships with their vendors and suppliers of key components and their vertically integrated operations and utilization of common manufacturing and supply chain to exercise a degree of control over their manufacturing costs, including raw material and process costs, which contributes to their pricing ability. Their business is supported by an overall employee base of 1,190 (of which 443 are engaged on contractual basis and not on their 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 their Subsidiaries (overseas), as of September 30, 2023. In their Critical Power Business, company focus on products with high efficiency, connectivity, reliability and flexibility which aim to help their customers to power digital communication infrastructure at reduced energy cost.

Valuation

Exicom Tele-System Ltd established player in the Indian EV Charger market, with an early-mover-and-learner advantage in a fast growing industry characterized by high entry barriers and domain experience and know-how and diversified product portfolio with a track record of demonstrated outcomes in critical cases with vertically integrated operations, backed by manufacturing capabilities, robust supply chain, significant research and development activities and sales and marketing initiatives along with significant product development and focussed engineering capabilities.

At the upper price band company is valuing at P/E of 28.00x, EV/EBITDA 33.98x with a market cap of ₹ 17,157 million post issue of equity shares and return on net worth of 13.38%.

We believe that the IPO is fairly priced and recommend a "**Subscribe-Long term**" rating to the IPO.

Description of Business

The company operate under two business units: (i) Critical Power Business; and (ii) EV Charger Business.

International operations

Their global presence is supported by their five Subsidiaries (including direct and indirect), Exicom Tele-Systems (Singapore) Pte. Ltd. in Singapore, Horizon Tele-System SDN BHD in Malaysia, Horizon Power Solutions DMCC and Horizon Power Solution L.L.C-FZ in U.A.E. and Exicom Power Solutions B.V in Netherlands. Through their Material Subsidiary, Exicom Singapore, they primarily undertake the business of the wholesale and retail sale of Li-ion Batteries. Horizon DMCC and Horizon SDN are engaged in the business of telecommunications equipment trading. They also have an established sales and marketing presence overseas, with 43 members as part of their sales and marketing team across both business verticals and in regions of India and Southeast Asia as part of September 30, 2023. Company have received global and local country required certifications (which they have received for Thailand, and Malaysia) to enable them to sell EV Charger products in Southeast Asia. They have existing arrangements with system integrators and distributors to sell their EV home and business charging product lines in Southeast Asia.

Strengths:

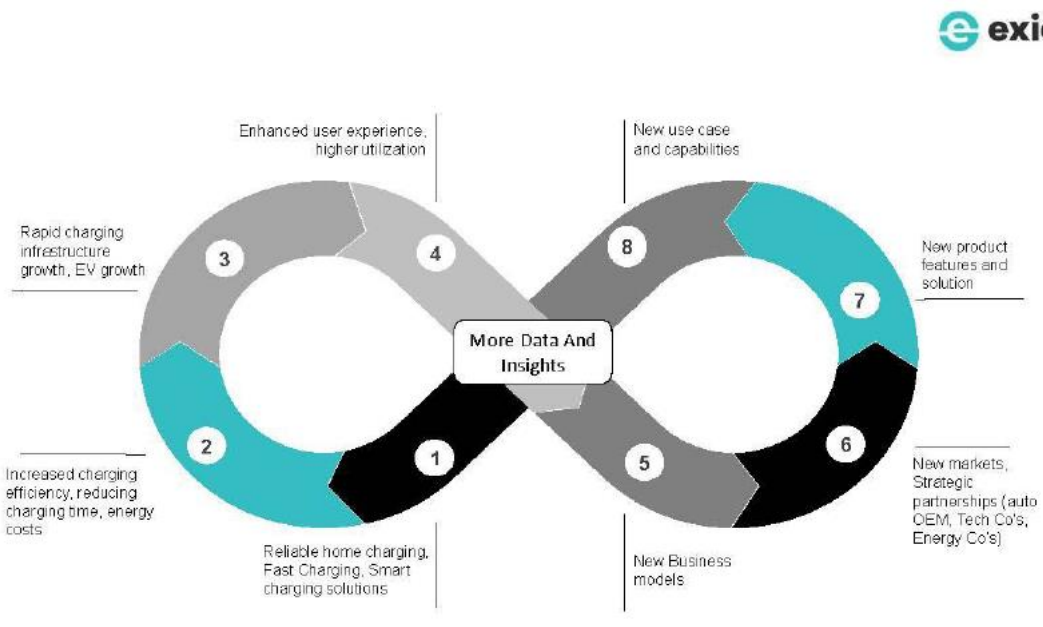
- **Established player with an early-mover-and-learner advantage in the Indian EV Charger market, a fast-growing industry characterized by high entry barriers.**

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. Their extensive portfolio of EV charging products supports both slow-charging, i.e., AC chargers from 3.3kW to 22kW, which are primarily for residential use; and fast-charging, i.e., DC fast chargers from 30kW to 360kW, which are for business and public use, as part of the 'public charging' networks in cities and on highways.

The customers of their 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. Their EV Charger Business commenced commercial sales in the Financial Year ended March 31, 2019 and as on the date of this Red Herring Prospectus, have supplied their EV Chargers to over 70 customers including 15 automotive OEMs, 32 national and regional CPOs and four fleet aggregators. By designing and manufacturing EV Chargers for residential, business, and public use, company aim to provide products for laying the infrastructure required to meet the demands of growing EV ownership in India. They were amongst the first entrants in the EV Charger manufacturing segment in India, providing them with an early-mover-and-learner advantage in the Indian EV industry, is one of the fastest growing markets in the world with a growth of approximately over 130% for the Financial Year ended March 31, 2023 from Financial Year ended March 31, 2022 (despite lack of FAME demand incentive, albeit on a lower base). They have experienced growth in the sale of their EV chargers across categories in recent years.

The table below sets forth details of their EV Chargers sold during the six months ended September 30, 2023, and September 30, 2022 and Financial Years stated below:

Particulars	For the six months ended		For the financial year		
	September 30, 2023	September 30, 2022	2023	2022	2021
Number of EV Chargers	20,325	7,538	33,954	5,105	1,935



- **Domain experience and know-how and diversified product portfolio with a track record of demonstrated outcomes in critical cases.**

Given the evolving nature of their business and the industries in which they and their customers operate, they focus on product innovation and engineering to align their products with evolving technologies and changing customer requirements, towards new customer acquisition as well as retention of existing customers. Since their incorporation, the company have developed nearly three decades of domain experience and know-how in power conversion, energy management, battery pack and BMS development, supported by their continued R&D efforts and customer relationships. Their Critical Power Business, wherein they service critical digital infrastructure, primarily comprises of a diversified portfolio of DC Power Systems designed for multiple use cases at telecom sites and Li-ion Batteries for providing back-up power, with a focus on efficiency, power density and reliability.

Their DC Power Systems span various performance characteristics, environment ratings, physical sizes and power ratings from 20A to 3000A 48V. Their Li-ion Battery business, which they started in 2013, leveraging their telecom infrastructure experience and which, provides back-up power in case of power grid interruptions or intermittent renewable energy supply and are based on modular and parallelable platforms supported by their proprietary BMS and can be combined to make battery systems to meet the requirements of the end-application. As of September 30, 2023, their Company has deployed 470,810 Li-ion Batteries for application in the telecommunications sector, equivalent to a storage capacity of over 2.10 GWH. Data centers capacity in India is expected to double to 1,340MW to 1,360MW by Fiscal 2025 from 780MW to 820MW in Fiscal 2023, powered by data boom, digital adoption, and local data storage mandates, and further by Fiscal 2028, it is expected to reach to 2,000MW to 2,100MW. Considering this growth, in 2021, the company expanded their Critical Power Business portfolio to include high voltage Li-ion Batteries for datacenters. Recently, in 2023, they capitalized on their know-how of Li-ion Batteries and their application to commence manufacturing of Li-ion Batteries at their Gurugram Facility II. Leveraging their product portfolio under this business vertical, company have developed a singular power management solution comprising DC Power Systems and Li-ion Batteries integrated together in an outdoor cabinet to provide a complete energy management solution to their customers.

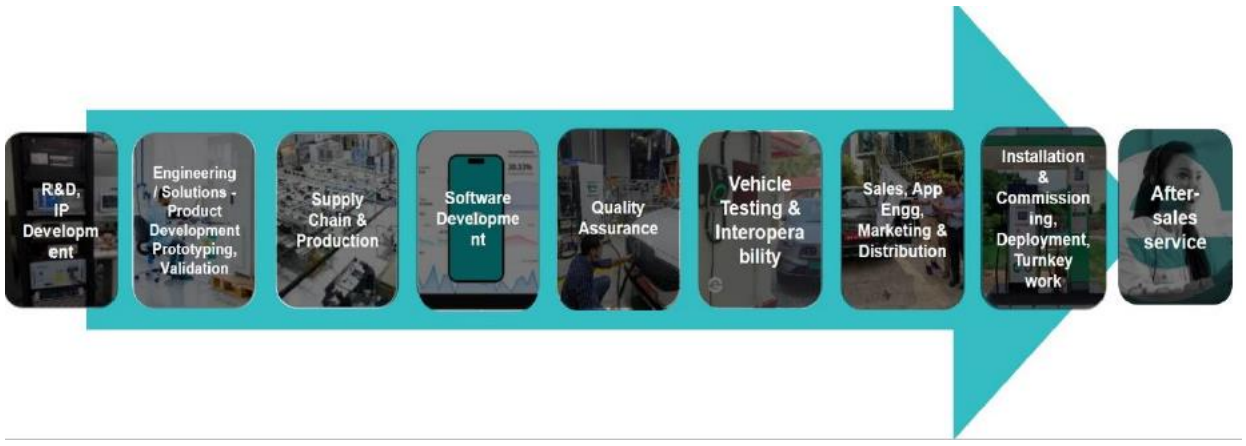
Set forth below is a breakdown of the revenue contribution from each of their business verticals during the six months ended September 30, 2023 and September 30, 2022 and three preceding Financial Years ended March 31, 2023, March 31, 2022, and March 31, 2021:

Particulars	For the six months ended September 30, 2023		For the six months ended September 30, 2022		Financial year					
					2023		2022		2021	
	Revenue contribution (in ₹ million)	% of Total Revenue from operations	Revenue contribution (in ₹ million)	% of Total Revenue from operations	Revenue contribution (in ₹ million)	% of Total Revenue from operations	Revenue contribution (in ₹ million)	% of Total Revenue from operations	Revenue contribution (in ₹ million)	% of Total Revenue from operations
Critical power business	3,187.83	70.06	1,448.57	67.08	4,837.21	68.33	7,717.06	91.56	4,687.85	91.4
EV Charger Business	1,362.59	29.94	710.92	32.92	2,242.09	31.67	710.99	8.44	441.2	8.6
Total	**4,550.42**	**100**	**2,159.49**	**100**	**7,079.30**	**100**	**8,428.05**	**100**	**5,129.05**	**100**

- **Vertically integrated operations, backed by manufacturing capabilities, robust supply chain, significant research and development activities and sales and marketing initiatives.**

Their operations are vertically integrated with end-to-end product development capabilities from concept to design to engineering to prototype testing, supported by their two dedicated R&D centres, with their extensive product portfolio manufactured in-house at their 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 their Gurugram Facility I, they manufacture products for both their Critical Power Business and EV Charger Business, while at their Gurugram Facility II, they manufacture Li-ion Batteries for their Critical Power Business. At their Solan Facility, they manufacture AC-DC converters (rectifiers), which are partly utilized for their own manufacturing operations at their Gurugram Facility I. These AC-DC converters (rectifiers) form a component of their DCT Power Systems and are sold to their 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 them are also sold to customers directly as a service spare. Their manufacturing facilities have dedicated production lines along with testing, quality assurance, and storage facilities. Their Gurugram Facility I has equipment such as surface mount technology ("SMT") lines, inspection cameras, in-circuit tester, robotic conformal coating machines, burn-in chambers, and environment chambers, and automated test equipment to allow them to screen and test products to eliminate non-conformity in outgoing products.

Their Gurugram Facility II has an automated battery assembly line for converting Li-ion cells to modules and then to a complete battery pack. Their battery assembly process is complemented by multiple automated test setups where batteries are subjected to end-of-line testing to ascertain intended working of protection features, capacity, and performance. Their Gurugram Facility I and Gurugram Facility II are accredited with ISO 9001, 14001, 45001 certification and their Gurugram Facility I is also accredited with IATF 16949 certification. Company relies on their in-house R&D capability to manufacture certain key components in-house, relationships with their suppliers of key components and their vertically integrated operations and utilization of common manufacturing and supply chain to exercise a degree of control over their manufacturing costs, including raw material and process costs, which contributes to their pricing ability. With prototyping and testing facilities, companies seek to shorten their product development cycles and achieve an accelerated time to market.



- **Significant product development and focussed engineering capabilities**

Company have a dedicated R&D team of 145 employees, as of September 30, 2023, housed at their two R&D centres located in Gurugram, Haryana, and Bengaluru, Karnataka. Their R&D team focuses on power electronics design, firmware, system engineering (including mechanical and thermal design), EV Charger development, and battery pack/BMS development. To validate their designs, they have developed internal failure detection capabilities and they also tie up with third-party laboratories for compliance testing as per the required standards. On battery development, company have developed capabilities in end-to-end battery pack design and development including BMS and related algorithms which they aim to optimize to give their customers high cycle life and optimal performance. They attribute their market position in their EV Charger Business to their ability to work backward from desired customer use-case and experience and develop products with the required technical specifications accordingly. They were one of the early entrants in India to manufacture EV Chargers and developed Bharat Standard chargers (namely AC001 and DC001) in 2019. Company utilized their domain knowledge in power electronics to further scale R&D for EV chargers by developing multi-standard high power Harmony charger for high voltage battery electric vehicles in late 2019, Wallbox AC charger for home use in 2020, fast charger for electric 2W in 2021, and portable charger for PVs in 2022. Some core technology features in DC chargers include the ability of their chargers to work in an energy-efficient manner, at a wide temperature range (up to 55 degrees Celsius), and wide output voltage range (200V to 1,000V) enabling compatibility across vehicle models/segments.

They attribute the deployment of their AC chargers at homes by OEM customers to their performance, design, and technological features, and their focus on reliability in Indian operating conditions. Company continue to advance their product development journey through a combination of incremental improvements and innovative enhancements, all aimed at enhancing the value and versatility of their product portfolio across various usage scenarios. In their Critical Power Business, they focus on products with high efficiency, connectivity, reliability, and flexibility which would help their customers to power the digital communication infrastructure at reduced energy cost. They launched Integrated Power Management Systems ("IPMS") in 2011 to manage complete power management at a telecom site through smart controllers, sensors, and automation. In 2013, they launched advanced chemistry-based Li-ion Batteries for load backup applications at telecommunications towers with BMS, which have achieved deployment to the extent of 2.10 GWh across India and overseas, as of September 30, 2023. Company introduced hybrid renewable systems in 2015 which make use of solar to deliver energy efficiency and reduce reliance on diesel generator sets.

Key Strategies:

- **Capitalize on EVSE industry tailwinds, including through proposed expansion.**

Driven by a global focus on energy transition and decreasing manufacturing costs, the world of transportation is experiencing an accelerated shift towards electrification. The global EV 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%. Globally, the EV Charger 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 44.40%. In India, the EV PV and bus market is estimated to grow by nine times between Financial Year ended March 31, 2023, and Financial Year ended March 31, 2028, 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%-16% by Financial Year 2028, which translates into growth at a CAGR of 55% to 60%. The EV Charger market is inextricably linked to the general market for EVs and takes center stage in encouraging EV adoption. To support this shift towards EVs, 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 TAM of ₹ 9.0-9.5 billion by Financial Year 2028 in India. They have endeavored to build an extensive portfolio of solutions to cater to the growth across all EV segments. For instance, their Company seeks to leverage the bus charging market opportunity with products of high-power range such as their Harmony Direct EV Charger having a power output of 240kW up to 360 kW and they intend to augment this product portfolio by introducing high power EV charging of approximately 480+kW to support use cases of distributed charging and scalable vehicle charging. The Union Minister of Heavy Industries, Government of India sanctioned ₹ 8,000 million in March 2023 under FAME India Scheme Phase II to the PSU Oil Marketing Companies ("OMCs"), Indian Oil Corporation Limited ("IOCL"), Bharat Petroleum Corporation Limited ("BPCL"), and Hindustan Petroleum Corporation Limited ("HPCL") for setting up 7,432 public fast charging stations across the country.

Companies seek to participate in such opportunities via tenders to provide DC fast charging stations for such requirements. Leading CPOs and EV Charger manufacturers in India are investing in the development of EV charging infrastructure to address the lack of charging infrastructure, which is one of the major challenges to the widespread adoption of EVs in India and EV Charger manufacturers are a critical component in the value chain of the EV ecosystem, and as such, are strategizing their investments and partnerships at the present time. Their early mover-and-learner advantage, paired with their vertically integrated operations, R&D capabilities, and diversified portfolio of EV Chargers, position them to benefit from growth in the EV Charger industry in India and globally.

- **Continue to invest in their capabilities of product innovation, engineering, and design with focus on indigenization.**

  Their customers' continually evolving businesses and preferences require them to focus on new product development and improvements through their continuing efforts towards product innovation and design and engineering. Their R&D activities are undertaken through a combination of technology partnerships and in-house development led by 145 employees in their dedicated R&D team as of September 30, 2023, and they intend to add more experienced employees to their R&D team in the areas of hardware, firmware, system engineering, and IT. Company have developed domain know-how and experience in EV Charger technology, power converters and systems, and battery and BMS design and they seek to continue to build on this experience and enhance their product and technology stack. They intend to invest in various test and simulation capabilities to reduce development time and receive accurate results and feedback during product design and validation. For instance, they intend to invest in EMI/EMC chambers to test for compliance to both radiated and conducted emission standards during various phases of development of both critical power and EV Charger products.

  Specifically for their EV Chargers development, company plan to develop a vehicle simulator by buying off-the-shelf equipment and integrating it into a complete system with in-house developed software to be able to test for EV Charger related protocol compliance and various vehicle charging profiles. Company has on a beta basis deployed their SPIN Control application for residential customers to do real-time monitoring and control of their EV Chargers and have deployed ChargeX charger management platform for public charging operators to manage a network of EV Chargers. Company further plan to enhance these platforms by developing capabilities around: (a) new EV protocols and standards such as OCPI 2.2.1 "Open Charge Point Interface" for roaming services and OCPP 2.0 which are newer standards of communication between charger and backend systems; (b) AI-based remote diagnostics to do predictive maintenance and performance optimizations of all their installations; (c) iOS and Android application platform development capabilities; and (d) various IT measures (used in back-end and front-end) to develop cloud-based EV Charger management systems for EV Charger networks.

- **Increase penetration in existing markets and expand into new overseas markets.**

  Company currently caters primarily to the requirements of the Indian market for their Critical Power Business and EV Charger Business. However, they intend to further capitalize on their track record by adding new customers across geographies. Company intends to expand their customer base to overseas markets in the EV Charger Business capitalizing on the growing EV adoption in Southeast Asia and Europe and for which they have commenced setting up local sales and distribution networks in such regions. They have received global and local country required certifications (which they have received for Thailand, and Malaysia) to enable them to sell EV Charger products in Southeast Asia.

  They also seek to adopt a solution approach where their local application engineering teams focus on customizations to fulfill customer requirements. The European market is important as it is expected to grow rapidly, following leading European markets such as Norway and the Netherlands. As of now, they have appointed sales representatives in the Netherlands and the United Kingdom and, overall, they intend to scale in European markets with a focus on high power DC Charger portfolio. They also intend to partner with local companies that offer geography-specific knowledge, as well as installation, maintenance, and charge point capabilities, and relationships with potential future clients, such as auto dealerships, charge point operators, system integrators, and importers.

  In the past, in the Critical Power Business, they have entered the markets of Southeast Asia and Africa for their Critical Power Business, and they plan to leverage their insights from these market entries to continue their deeper expansion into those markets and other emerging markets. Their objective in these markets is to help achieve telecommunications companies and tower companies achieve their net-zero goals by focusing on intelligent hybrid solutions powered by renewable power and Li-ion Batteries to cut fossil fuel-based energy expenses by reducing diesel genset running time. For their Critical Power Business in such markets, they intend to adopt a combination of direct sales and work with local system integrators to participate in addressable telecommunications power business. They also intend to invest in local application engineering, service manpower to ideate and help customers to come out with the right Critical Power infrastructure solution.

- **Expand their product portfolio to increase sales to existing customers and cater to new customer industries and use-cases.**

  They will continue to expand their product portfolio and plan to provide differentiated offerings to their customers. They seek to leverage their extensive experience to strengthen their industry position by developing new products to capitalize on emerging trends. The EV Charger industry is a fast-growing industry but is still at a nascent stage. As EV adoption continues to increase, the global demand for charging infrastructure is likely to grow exponentially from 2.6 million units to 16.4 million units in 2027 at a CAGR of 44.4%. The key trends going forward include the shift towards smart charging capabilities, ultra-fast charging capabilities, stringent operation performance requirements of operations, and making chargers future-proof by adopting new regulatory standards and smart grid integration-related technologies, and they endeavor to develop future AC EV Chargers and DC EV Chargers incorporating such global trends and specific local requirements by investing in their product development roadmap.

  Tower companies and telecommunications companies are increasingly looking for complete power management solutions including high-efficiency power conversion systems, smart integration of renewable power at site, and providing long cycle life, safe Li-ion Batteries with cooling solutions as well. Their development efforts are focused on integrating their power conversion products and long cycle life Li-ion Batteries to offer complete power management functions at a telecommunications site and deliver superior savings and insights. The older telecommunications power infrastructure is also more expensive to operate and maintain. Cost savings through new high-efficiency DC power systems, intelligent energy management, remote operations, and management are being identified and deployed. They are in the process of developing new 97% efficient rectifiers that aim to give maximum value to the customer in terms of operating expenditure savings for such replacement capital expenditure.

- **Industry Snapshot:**

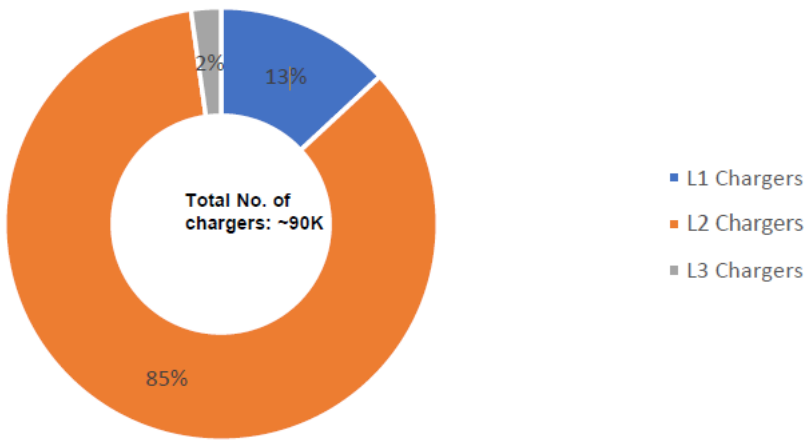
Electrification trends in India and penetration of L1, L2 and L3 chargers:

Since EVs are the form of transportation of the future, investments in the infrastructure needed for EV adoption are being made by stakeholders across the value chain. As can be seen in the below chart, the electrification in the two wheelers and three wheelers segment has been higher compared to passenger cars, as on Financial Year 2023, both of which can be charged by L1 charger.

Penetration of electric vehicles segment wise

	2023	2025	2028
	1.2%	2-6%	8-10%
	4.7%	7-11%	20-25%
	10.3%	18-22%	30-35%
	0.4%	1-5%	1-6%
	6.2%	7-11%	14-16%

Current share of L1, L2 and L3 chargers in India: Financial Year 2024 (E)



Entry barriers for electric vehicle supply equipment manufacturers and charge point operators.

Technology evolution: Electric mobility is a dynamic space that necessitates continual technology innovation in areas such as quicker charging speeds, compatibility with various EV models, footprint, regulatory compliance, and increased user experiences. So, EV Charger manufacturers need to have a broad skill set of technological capabilities in software, hardware and system design to make such continual improvements.

Performance requirements: Customers typically expect 95%+ uptime, at least 95% power conversion efficiency, working temperature range of -10 to 55 degrees and wide output voltage in DC Chargers of 200V to 1000V to ensure compatibility across vehicle ranges. These criteria aid in the reduction of energy expenses and the achievement of high uptime.

Grid Infrastructure Compatibility: EV chargers must be compatible with current and future grid utilities, such as smart grid systems and V2G technologies. Making room for such improvements in the future is critical for making the product future proof. For example, the upcoming ISO15118 standard defines a new type of communication between the charger system, vehicle, and smart grid.

Partnerships and Alliances: For EV Charger to work seamlessly, it needs to seamlessly work with EV ecosystem of central management systems of various CPO's, all existing and new EV models plying on road and with grid where there is functionality of grid load management. EV chargers who have integrated with maximum of such ecosystem players will have more advantage in the market.

Service setup: Established OEMs have pan India sales and therefore, such OEM's and Charge Point Operators would require EV Charger manufacturers to have national presence. Companies having a national service presence would have an advantage over others.

Electric vehicle chargers - business models based on end use segment

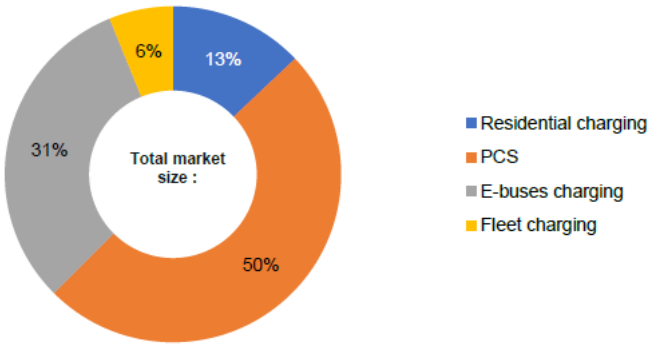
Charging Scenarios / users		Products /Solutions
Residential & Retail segment		Wall mount charger offered by OEMs along with the purchase of vehicle. Typically, in the range of 7.2 to 11 KW AC charger which requires a 3-phase residential connection.
Charging stations installed in key areas for public as a supplement to residential charging.		Charging stations are operated by PSUs, Private players, OMCs and network operators. The power is supplied either by discoms or captive power arrangements.
Charging of e-buses run by STUs, schools, corporates		E-Buses are charged at depots by 200 KW DC fast chargers. The power rating is expected to increase going ahead as more e-buses come into the market
Fleet operators who offer e-fleet for urban mobility solutions.		Fleet operators are urban mobility service providers who offer electric car riding platforms. Currently there are very few start-ups in this space, most of which have captive charging stations where bulk of fleet can be charged at once.

Current market size of electric vehicle charging infrastructure as of and for Financial Year 2023

The automotive industry is a substantial contributor to India's economy, accounting for ~7.1% of GDP and employing a significant number of people according to Press Information Bureau. According to the CRISIL MI&A, India's domestic electric passenger car industry is expected to increase at a CAGR of 50-60% between 20243 and 2028, reaching ~5.25 lakh annual sales by 2028. Multiple OEMs have announced launches of EV models anticipated to come by 2025, which are expected to have longer ranged and thus may address consumers' anxiety with respect to vehicle range. There is a growing focus on expanding the charging infrastructure network across the country. Public charging stations are being installed in cities, highways, and commercial areas, making it more convenient for EV owners to charge their vehicles.

There is an increasing adoption of fast charging technologies, such as DC fast charging, to reduce charging times and provide greater convenience to EV users. Setting up charging stations demands a considerable quantum of investment, which includes capital expenditure, grid connection fees, and operations and maintenance expenditures. Another issue for EVSE infrastructure development is assuring charger compatibility. As a result, in the charging infra segment capital availability as well as technical skill is required. To address this issue, the leading EV charger manufacturers in India are currently engaged in manufacturing a diverse product portfolio of AC and DC chargers. ABB, Delta Electronics, Exicom Tele-Systems Limited, Mass- Tech, Ador are some of the country's major EVSE manufacturers, collaborating with leading EV OEMs to develop chargers based on the latest designs and algorithms.

Business segment wise chargers' share: Financial Year 2023



Recent trends and developments – investment plans of the leading operators

Leading Charge Point Operators and EVSE manufacturers in India are investing in the development of EV charging infrastructure to address the lack of charging infrastructure, which is one of the major challenges to the widespread adoption of EVs in India. EVSE manufacturers are a critical component in the value chain of the EV eco system, and as such, they are strategizing their investments and partnerships at the present time.

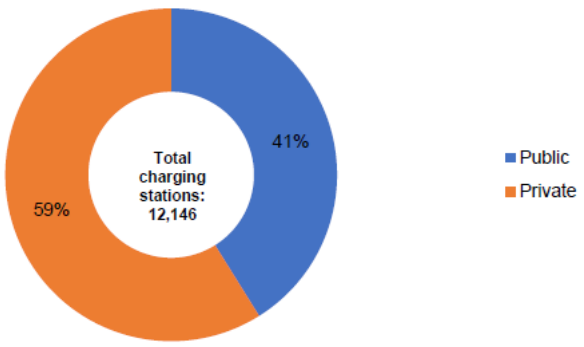
- Tata Power: Tata Power is one of the leading players in India's EVSE market. Over 500 EV charging stations have been placed in over 100 cities, and the company has partnered with HPCL (Hindustan Petroleum Corporation Limited) to construct EV charging stations at HPCL's retail shops.
- Jio-BP: Jio-BP, a Reliance Industries Limited and BP joint venture, is developing its EV charging infrastructure across India.

- Fortum: Fortum, which forayed into India's EV charging infrastructure space in 2017, has rebranded its 'Fortum Charge & Drive' EV charging business. The company is switching to a new brand identity – Glida and has over 450 charging points in key cities.
- Zeon Charging: Zeon Charging, a Tamil Nadu-based electric charging infrastructure company, will invest Rs 250 crore in the installation of 400 EV chargers across the state. This five-year investment is specifically for setting up chargers in Tamil Nadu, and they have identified spots and will add these chargers at 70-100 locations within the next two years. In addition, Zeon will have 300 locations around the state, both in cities and along roads, during the next five years.

Electric Vehicle charging market and segmentation outlook.

Market size for public charging infrastructure and projected growth over Financial Year 2023 – Financial Year 2028

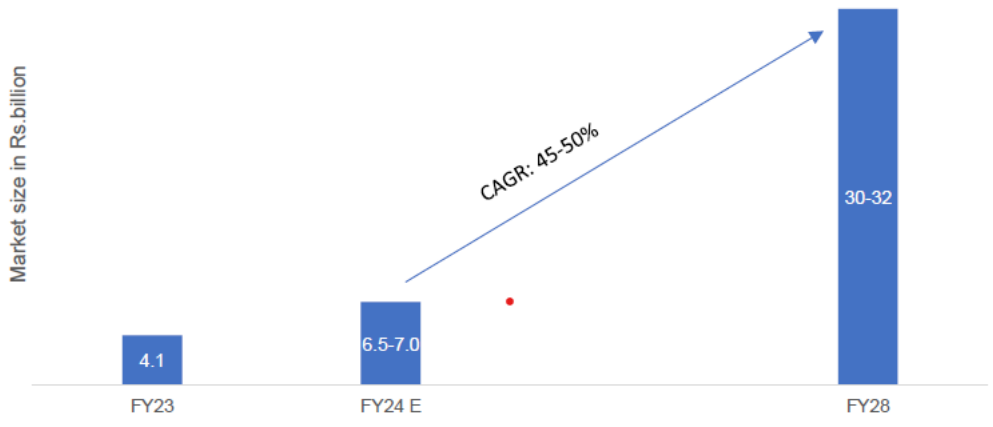
Share of public versus private charge point operators in public charging space.



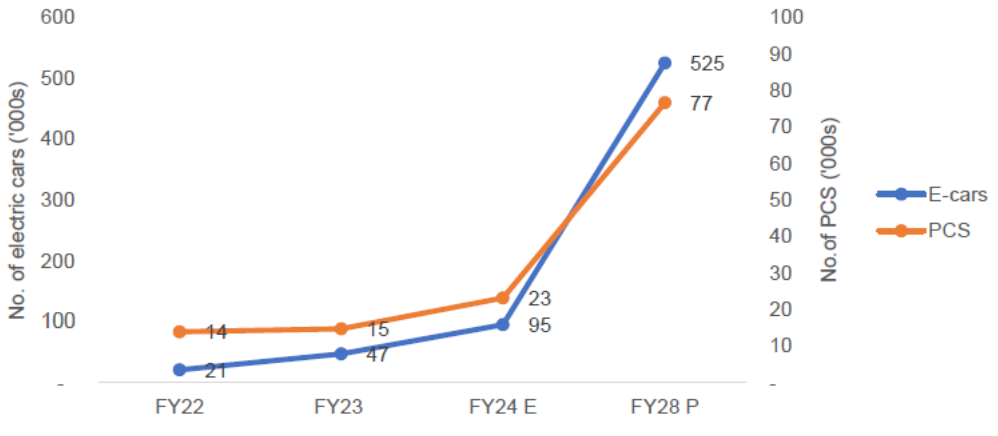
The EV charger demand in India witnessed a significant increase in Financial Year 2022 and Financial Year 2023, owing to increasing EV penetration. The demand has accelerated further in the Financial Year 2024, with EV sales touching 77,000 during the nine months ended December 31, 2023, compared to 47,000 during Financial Year 2023. Of the 12,146 public charging stations, close to 60% stations have been provided by private players, a few of the major ones being Delta Electronics, ABB, Exicom Tele-Systems Limited, and Mass-Tech. JioBP, ChargeZone, Statiq are some of the leading charges point operators of EV charging stations in the country.

With respect to public sector units, Convergence Energy Services Limited which is a subsidiary of Energy Efficiency Services Limited, NTPC Vidyut Vyapar Nigam Ltd, OMCs such as Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, Bharat Petroleum Corporation Limited, State boards such as Kerala State Electricity Board, Bangalore Electricity Supply Company Limited etc are some of the leading players that have floated tenders/set up stations or offering space for retail outlets. This diverse market offers AC, DC, and fast charging stations to cater to different EV needs. Further, real estate companies such as Lodha Group, MyGate, and Rustomjee Group, collaborated with charge point Operators to deploy EV charging solutions in their new and existing properties.

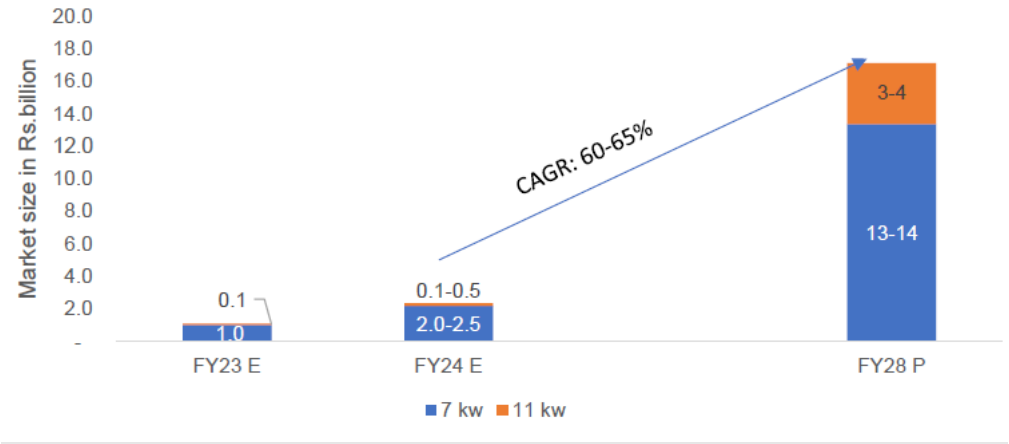
Review and outlook market size of public charging stations: review and outlook.



Trend of number of electric cars versus public charging stations



Market size of residential charging infrastructure: review and outlook



Market size for electric bus charging infrastructure and projected growth over Financial Year 2024 – Financial Year 2028

The Ministry of Road Transport and Highways ("MoRTH") has asked state transport undertakings ("STUs"), responsible for procuring and operating buses, to replace over 32,000 old diesel buses with electric vehicles. According to a MoRTH estimate, 25 STUs own a total of 32,062 buses that are more than 10 years old. Most ageing buses currently in use by STUs are BS-II or BS-III diesel buses. STUs are keen on scrapping these old buses as they are inefficient and polluting. To accelerate the process of adaptation of electric vehicles, the Department of Heavy Industries launched Faster Adoption and Manufacturing of Electric Vehicles India (FAME India). Under the FAME scheme, the State Transport Undertakings (STUs) or City Transport Undertakings (CTUs) are given subsidies for the procurement of electric buses for the public use as well as to put up the supporting charging infrastructure. Benefitting from the scheme, many cities have already started electric bus operations.

Electric vehicle charging infrastructure overall - Outlook for Financial Year 2024 – Financial Year 2028

The public charging station market which is estimated to contribute ~50% of the overall EVSE market size as on Financial Year 2024 is expected to grow at a CAGR of 45-50% in Financial Year 2024 – Financial Year 2028. The E-buses charging stations market is expected to grow at a faster rate at a CAGR of 80-85% owing to higher scope of penetration. Residential charging segment is expected to grow at a CAGR of 60-65% and will increase its share from 13% of the overall pie of EVSE market in Financial Year 2023 to ~16-18% in Financial Year 2024. Fleet charging market is expected to grow at a CAGR of 65-70% led by more commercial fleet operators entering the EV fleet market. Overall, rise of EV penetration in passenger vehicles ("PVs"), fleets and buses will cause the demand for EV Chargers for all key segments combined to grow at a CAGR of 55%-60% between Financial Year 2023-Financial Year 2028.

- **Accounting ratios**

Particulars	For the six months ended		For the financial year		
	September 30, 2023	September 30, 2022	2023	2022	2021
Revenue from operations (₹ million)	4,550.42	2,159.49	7,079.30	8,428.05	5,129.05
Growth in revenue from operations (%)	110.72%	NA	-16.00%	64.32%	NA
Gross profit (₹ million)	1,140.32	632.76	1,752.17	1,791.13	1,162.41
Gross profit margin (%)	25.06%	29.30%	24.75%	21.25%	22.66%
EBITDA (₹ million)	414.63	43.94	524.37	674.21	295.15
EBITDA (in %)	9.11%	2.03%	7.41%	8.00%	5.75%
Profit/(Loss) for the year from continuing operations (₹ million)	274.63	-67.75	310.31	303.95	126.76
Profit after tax margin (%)	6.04%	-3.14%	4.38%	3.61%	2.47%
RoE (%)	8.82%	-3.32%	13.38%	13.72%	5.94%
RoCE (%)	9.17%	-1.16%	10.92%	17.66%	5.33%
Order backlog: (₹ million)	5,809.89	2,417.67	2,906.24	1,507.06	2,594.07

Comparison with listed entity

Name of the company	Face Value (₹ per share)	Revenue from operations (₹ million)	EPS (Basic) (₹)	EPS (Diluted) (₹)	P/E	NAV (₹ per share)	Return on net worth
Exicom Tele-Systems Limited	10	7,079.30	5.08*	5.08*	28.00**	25.24	13.38
Listed peers							
Servotech Power Systems Limited	1	2,748.81	0.52	0.52	155.96	3.86	13.47
HBL Power Systems Limited	1	13,686.78	3.51	3.51	139.30	34.32	10.35

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on January 25, 2023.
2) */** P/E and EPS of company is calculated on basis TTM and post issue no. of equity shares issued.

Key Risk:

- 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").

- Company is dependent on the top five customers based on revenue contribution under their critical power solutions business ("Critical Power Business"), who contributed over 50% of their revenue from operations for the six months ended September 30, 2023, and September 30, 2022, and in each of the last three Financial Years and include Government of India entities/public sector undertakings ""PSUs"). Loss of any of these customers or a reduction in purchases by any of them could adversely affect their business, results of operations and financial condition.

- Company is dependent on global suppliers for the supply of raw materials and key inputs and may not be able to reduce their dependency on such imports. If critical components or raw materials become scarce or unavailable, then they may incur delays in manufacturing and delivery of their products and in completing their development programs, which could damage the business.

- Company's operations are dependent on their continued research and development initiatives, and their inability to identify and understand, or keep up with evolving industry trends, technological advancements, customer preferences and develop new products to meet their customers' demands may adversely affect the business.

- The disruption, shutdown, or breakdown of operations at the manufacturing facilities may have a material adverse effect on the business, financial condition, and results of operations.

- Company typically do not enter long-term arrangements with the customers, and do not have any firm commitment of quantity or price of products to be supplied thereunder. If their customers choose not to renew their agreements with them or continue to place order with them, their business and results of operations will be adversely affected.

- Company derived a portion (more than 50%) of their revenue from operations for the six months ended September 30, 2023, and September 30, 2022, and in each of the last three Financial Years from customers in the Indian telecommunication sector. Any adverse changes in the Indian telecommunications sector could adversely impact their business, results of operations and financial condition.

Valuation:

Exicom Tele-System Ltd established player in the Indian EV Charger market, with an early-mover-and-learner advantage in a fast growing industry characterized by high entry barriers and domain experience and know-how and diversified product portfolio with a track record of demonstrated outcomes in critical cases with vertically integrated operations, backed by manufacturing capabilities, robust supply chain, significant research and development activities and sales and marketing initiatives along with significant product development and focussed engineering capabilities.

At the upper price band company is valuing at P/E of 28.00x, EV/EBITDA 33.98x with a market cap of ₹ 17,157 million post issue of equity shares and return on net worth of 13.38%.

We believe that the IPO is fairly priced and recommend a "**Subscribe-Long term**" rating to the IPO.

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Large Caps (Top 100 companies)	**>15%**	**0%-15%**	**Below 0%**
Mid Caps (101st-250th company)	>20%	0%-20%	Below 0%
Small caps (251st company onwards)	>25%	0%-25%	Below 0%

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