CareEdge RATINGS

Exicom Tele-Systems Limited (Revised)

February 14, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	58.00	CARE BBB; Negative	Downgraded from CARE BBB+ and removed from Rating Watch with Developing Implications; Negative outlook assigned
Long Term / Short Term Bank Facilities	70.00	CARE BBB; Negative / CARE A3	Downgraded from CARE BBB+ / CARE A2 and removed from Rating Watch with Developing Implications; Negative outlook assigned
Short Term Bank Facilities	92.00	CARE A3	Downgraded from CARE A2 and removed from Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE has downgraded the ratings assigned to the bank facilities of Exicom Tele-Systems Limited (Hereinafter referred to as ETSL) to CARE BBB/CARE A3 while assigning 'Negative' outlook and removed from 'Rating Watch with Developing implications (RWD)'. The ratings were placed on rating watch with developing implications due to the lack of clarity over the funding pattern of acquisition and its overall impact on the credit risk profile of the company. The ratings have now been removed from rating watch after the finalization of acquisition deal on September 10, 2024, which has been funded through a mix of debt (84%), internal accruals (4) and IPO proceeds (13%).

The downgrade in the ratings of ETSL factors in significant deterioration in the operational and financial performance of the company during 9MFY25 (refers to the period from April 01, 2024 to December 31, 2024). The company reported increased losses at operating level during Q3FY25 (refers to the period from October 01, 2024 to December 31, 2024), attributable to higher fixed overheads in recently acquired Tritium group of entities and slower-than-expected ramp up in its operations. Further, the primary business of the company i.e. Critical Power Segment also remained subdued during the quarter with delays in receipt of PSU (Public-Secor Undertaking) projects and older inventory being offloaded at lower margins. Furthermore, significantly lower cash accruals coupled with elevated debt repayment obligations led to significant deterioration in debt coverage indicators and overall financial risk profile. The ratings continue to remain constrained vulnerability of margins to raw material prices and foreign exchange rates.

However, the ratings continue to derive strength from promoter's extensive experience in power electronics industry, its long-standing relationship with some of the big telecom companies resulting in steady revenue stream over the years and reputed clientele. The ratings also favourably consider ETL's diversified product portfolio, strong research and development capabilities developed by the group leading to constant improvement and customization of its products. Moreover, the group has recently been awarded purchase order worth Rs.1,680 crore as part of Bharat Net Connectivity Project in the critical power segment. Going forward, execution of recently awarded orders of Rs.1,680 cr. under Bharat Net Project under the domestic critical power segment extends substantial revenue visibility starting from Q1FY26. Furthermore, improvement in performance of overseas operations under the new management shall be a key monitorable for a positive and sustainable turnaround of operations of the company.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Earlier than expected ramp of operations from newly acquired overseas resulting in significant growth in total operating income to more than Rs.1200 crore with PBILDT margin of above 10% on sustained basis.
- Significant improvement in liquidity position of the company owing to better cash flow from operations.

Negative factors

- Sustained losses at operating level resulting in further decline in debt coverage indicators
- Significant decline in cash accruals and resultant weakening of liquidity position

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Analytical approach: Consolidated; Consolidated approach has been adopted on account of the common management, operational and financial linkages between the company and its subsidiaries. The entities considered for consolidation are provided in Annexure-6.

Outlook: Negative

The negative outlook reflects CARE's concern over elevated debt repayment obligations amidst subdued performance in the near term. The outlook may be revised to stable in case of improvement in the operational performance marked by ramp up in domestic and overseas business with improved profitability, liquidity and debt coverage indicators.

Detailed description of key rating drivers:

Key Strengths

Established track record with extensive experience of promoters in the industry

ETL was incorporated in the year 1994 for the manufacturing of critical power components which finds application in the telecom sector. Mr. Anant Nahata, Managing Director leads the overall strategy and planning, product development, business development and marketing activities of ETL. The top management team of ETL is ably supported by experienced second line of management. Mr. Manoj Kohli has been recently appointed as Non-Executive Independent Director and has prior experience of working with some of the big telecom companies like Bharti Enterprises Limited, as a Managing Director and also has key contribution in building Airtel as a no.3 telco in the world from 2 million customers to over 400 million customers. Further, the company also appointed Ms. Mahua Acharya, who served as MD and CEO, Convergence Energy Services Ltd., Government of India and has held various other roles such as Assistant Director General, Global Green Growth Institute; MD & CEO, Cquest Capital India; Deal manager with World Bank, Washington, DC; as project manager, World Business Council for sustainable Development, Geneva and member of board of South Pole Asset Management, Zurich.

Strong R&D capabilities

The group has in-house R&D Centre recognized by the Department of Science and Technology, Government of India (GoI). This has enabled the group to develop products for the EV segment—batteries (now hived off) and chargers, which are being supplied to established players in the segment and remains focused on expanding its presence in electric vehicles. In FY24, the company had spent Rs. 20.53 Cr on Research & Development expenses as against Rs. 19.32 Cr during the previous year. Moreover, with acquisition of Tritium and access to new technology, the company would augment its R&D capabilities, which is likely to help the entity foray into new geographies and new product segment in existing geography.

Reputed clientele and sound order book position

The group's clientele comprises of some of the reputed telecom companies including Skipper Limited, Bondada Engineering Private Limited, and Indus Towers Limited among others. The group has recently been awarded purchase order worth Rs.1,680 crore as a part of Bharat Net Connectivity Project in the critical power segment, where ~Rs.1400 crore of order-book is to be executed over a period of 3 years and remaining Rs.280 crore over 5 years.

Key Weaknesses

Significant deterioration in the operational performance during 9MFY25

During 9MFY25, the company reported ~16% decline in the total operating income, which stood at Rs.629.91 crore (PY: Rs.732.64 crore) with significant decline in the PBILDT margin from 11.78% reported during 9MFY24 to 1.09% reported during 9MFY25. Further, the company reported net loss of Rs.47.76 crore during 9MFY25 (PY: Net profit of Rs.36.45 crore). In Q3FY25, the operating losses increased to Rs.24.92 crore from Rs.0.18 crore reported during Q2FY25. Following the completion of acquisition, the group had fixed monthly overheads to the tune of ~Rs.30 crore as against modest revenues since stabilization and streamlining of overseas operations took longer than expected time. Moreover, the critical power segment also remained subdued owing to delays in receipt of PSU project orders and older inventory being offloaded at lower margins.

Deterioration in financial risk profile during 9MFY25

The company reported deterioration in the financial risk profile during 9MFY25 owing to the acquisition debt availed by the company and decline in operational performance of the company. As on December 31, 2024, the total debt position of the company stood at Rs. 676.40 crore comprising of term loan of Rs. 209.79 crore, loan from body corporates of Rs.180 crore, finance lease liability of Rs.215.14 crore, working capital loan of Rs.64.40 crore, and non-convertible debentures of Rs.7.07 crore. The same has led to deterioration in overall gearing to 1.03x as on Dec 31, 2024 (0.10x as on March 31, 2024). Furthermore, the debt coverage indicators also declined with Interest coverage ratio (PBILDT/Interest) of 0.24x as on Dec 31, 2024.

High level of receivables

The receivables for the group usually remain on the higher side as in the critical power segment, the company primarily deals with the PSUs, where the payment terms range between 90 – 120 days. However, the company also deals with certain private players in critical power segment, where the payment terms are generally around 45 days and in case of EV chargers business segment, the payment terms generally remain in the range of 60 – 75 days. As on March 31, 2024, the collection period, though on the higher side, improved to 97 days (127 days as on March 31, 2023). The same was a result of improvement in scale of operations along with the customer-mix being more skewed towards private players as on March 31, 2024.

Vulnerability of profitability to volatility in raw material prices and forex fluctuation

The group procures lithium-ion cells from China and sells it in the domestic market as well as in the countries like Singapore, Malaysia, etc. to name a few which exposes it to foreign exchange fluctuation risk and the group has recorded a forex gain of Rs. 3.16 crore during FY24 (PY: Loss of Rs.1.70 crore). In the current year, however, the company suffered certain losses owing to rupee depreciation. However, recently the group has started own manufacturing of cell modules in India by installing prismatic machine at one of its manufacturing plants, thereby reducing the import dependence going forward.

Liquidity: Stretched

The liquidity profile of the company remained stretched with cash losses reported during 9MFY25 along with expected subdued overall performance on a full year basis. The company has scheduled debt obligations to the tune of ~Rs.18.24 crore which would be serviced with the help of liquidity available with the company in the form of unutilized bank limits of Rs.26 crore. Further, the company also has funds raised through IPO to be utilized towards working capital requirements to the tune of Rs.39.89 crore as per the defined objects of the offer as on Dec 31, 2024.

Going forward, execution of recently awarded orders of Rs.1,680 cr. under Bharat Net Project under the domestic critical power segment extends substantial revenue visibility starting from Q1FY26. Furthermore, improvement in performance of overseas operations under the new management shall also help the company in achieving desired profitability and healthy cash accruals.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Infrastructure Sector Ratings
Short Term Instruments
Consolidation

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Telecommunication	Telecommunication	Telecom - Equipment & Accessories	Telecom - Equipment & Accessories

ETL was initially incorporated in the year 1994 as Himachal Exicom Communications Limited to manufacture telecom power equipment such as converters, battery modules, controllers, rectifiers, etc. as a joint venture between Himachal Futuristic Communication Limited and Exicom Australia. However, post the liquidation of Exicom Australia and its subsequent exit, the name of the company was changed to its current name. ETL is engaged in the manufacturing critical power components such as rectifiers, AC to DC converters, etc. and also offers energy storage solutions. The company forayed into the business of EV chargers 2019 onwards. The same contributed ~24% of the total operating income in FY24 (PY: 31%).

Brief Financials (₹ crore) (Consolidated)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	520.85	873.27	629.91
PBILDT	57.10	122.16	6.88
PAT	32.50	66.43	-47.76
Overall gearing (times)	0.37	0.08	1.03
Interest coverage (times)	3.28	6.38	0.24

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable
Any other information: Not applicable
Rating history for last three years: Annexure-2
Detailed explanation of covenants of rated instrument / facility: Annexure-3
Complexity level of instruments rated: Annexure-4
Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	58.00	CARE BBB; Negative
Fund-based - ST-Working Capital Demand loan		-	-	-	30.00	CARE A3
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	70.00	CARE BBB; Negative / CARE A3
Non-fund-based - ST-Letter of credit		-	-	-	62.00	CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (03-Apr-24)	1)CARE BBB; Stable (04-Sep-23)	-	-
2	Fund-based - LT-Cash Credit	LT	58.00	CARE BBB; Negative	1)CARE BBB+ (RWD) (20-Aug-24) 2)CARE BBB+; Positive	1)CARE BBB; Stable (04-Sep-23)	-	-

					(05-Aug-24) 3)CARE BBB+; Stable (17-Apr-24) 4)CARE BBB+; Stable (03-Apr-24)			
3	Non-fund-based - ST-Letter of credit	ST	62.00	CARE A3	1)CARE A2 (RWD) (20-Aug-24) 2)CARE A2 (05-Aug-24) 3)CARE A2 (17-Apr-24) 4)CARE A2 (03-Apr-24)	1)CARE A3+ (04-Sep-23)	-	-
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	70.00	CARE BBB; Negative / CARE A3	1)CARE BBB+ / CARE A2 (RWD) (20-Aug-24) 2)CARE BBB+; Positive / CARE A2 (05-Aug-24) 3)CARE BBB+; Stable / CARE A2 (17-Apr-24) 4)CARE A2 (03-Apr-24)	1)CARE A3+ (04-Sep-23)	-	-
5	Fund-based - LT-Proposed fund based limits	LT	-	-	1)Withdrawn (03-Apr-24)	1)CARE BBB; Stable (04-Sep-23)	-	-
6	Fund-based - ST-Working Capital Demand loan	ST	30.00	CARE A3	1)CARE A2 (RWD) (20-Aug-24) 2)CARE A2 (05-Aug-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Working Capital Demand loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Exicom Tele-Systems (Singapore) Pte. Limited	Full	**Wholly-owned subsidiary**
2	Horizon Tele-Systems SDN-BHD	Full	**Wholly-owned subsidiary**

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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