

Ceinsys Tech Limited

August 01, 2024

Facilities/Instruments	Amount (₹ crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	65.00 (Reduced from 70.50)	CARE BBB; Stable	Revised from CARE BBB-; Stable
Short Term Bank Facilities	70.00 (Reduced from 80.00)	CARE A3	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Ceinsys Tech Limited (CTL) takes into account the improvement in scale of operations and profitability during FY24 (refers to period April 01 to March 31). The ratings further continue to derive strength from CTL's long track record of operations, experienced management, healthy order book position, comfortable financial risk profile and adequate liquidity position. The ratings also take a note of CTL's plans to raise funds via issuance of equity shares and fully convertible warrants.

The rating strengths, however, continue to remain constrained by concentrated customer profile and order book, working capital-intensive nature of operations and presence in a highly competitive industry.

CARE Ratings Limited (CARE) has withdrawn the outstanding ratings of 'CARE BBB-; Stable' assigned to the term loan of CTL with immediate effect. The above action has been taken at the request of CTL and 'No Dues Certificate' received from the lender that had extended the facility rated by CARE.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Total operating income above ₹450 crore annually on a sustained basis along with improvement in PBILDT margin to above 22%
- Improvement in average collection period (including unbilled revenue) to less than 150 days

Negative factors

- TOI below ₹225 crore on a sustained basis along with deterioration in profit margins
- Elongation in collection period beyond 270 days resulting in deterioration in liquidity position

Analytical approach: Consolidated

CARE Ratings has considered consolidated financials of CTL. The consolidated approach factors in significant management, operational and financial linkages between CTL and its subsidiaries and step-down subsidiaries. The list of entities consolidated is given in Annexure-6.

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the company will continue to benefit from experienced management, healthy order book and comfortable financial risk profile in the medium term.

Detailed description of the key rating drivers:

Key strengths

Improved scale of operations and profitability

Consolidated total operating income (TOI) increased by 14.70% from ₹220.52 crore in FY23 to ₹252.94 crore in FY24, driven by higher inflow and execution of orders. Standalone TOI improved by 23% to ₹205.68 crore in FY24 from ₹167.04 crore in FY23. CTL's 'Geospatial' business revenue witnessed a growth of ~23%, while 'Manufacturing Solutions' segment revenue declined by ~10% during FY24. The growth momentum is expected to persist, fuelled by the execution of current orders and the anticipated inflow of new orders.

On a consolidated level, PBILDT margin improved to 17.42% in FY24 from 15.43% in FY23 resulting from better absorption of fixed costs. The PAT margin declined marginally to 13.84% in FY24 (PY: 14.01%) owing to higher tax outflow. The profitability margin is expected to remain steady in the near to medium term.

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

Well-established track record and extensive experience of management in the industry

CTL has a track record of more than two decades in the industry, offering GIS and Engineering Solutions. CTL specializes in designing, capturing, storing, mapping, analysing and managing all types of geographical data.

CTL is promoted by Mr. Sagar Meghe (Chairman and Director) and is jointly managed by Mr. Prashant Kamat (Vice Chairman and CEO), Mr. Abhay Kimmattkar (Managing Director) and Mr. Kaushik Khona (Managing Director, India Operations). All of them are well qualified and experienced professionals. The company has a diverse team of engineers across multiple disciplines with significant experience in various industries, tools/platforms and project management methodologies.

Healthy revenue visibility backed by significant improvement in its order book position

As on June 30, 2024, CTL has an outstanding orderbook (consolidated) of ₹748.45 crore, which is 2.96x of FY24 TOI (1.52x of FY23 TOI as on June 30, 2023). This indicates adequate revenue visibility in the medium term. Majority of the contracts are secured from state governments, municipal bodies and public sector units, with a few from corporate entities. CTL is likely to benefit from government's focus on areas like urban development, water management and energy security.

Comfortable capital structure and satisfactory debt coverage indicators

The debt profile of the company mainly comprises of working capital borrowings, term loan, advances from customers and lease liabilities. As on March 31, 2024, CTL's capital structure improved and remained comfortable with an overall gearing of 0.05x (PY: 0.33x) owing to lower utilization of the working capital limit as on balance sheet date and accretion of profits to reserves. In the absence of any debt funded capex, the capital structure is expected to remain comfortable over the medium term.

In FY24, the debt coverage indicators also improved with total debt/GCA of 0.30x (PY: 1.98x) and interest coverage of 9.36x (PY: 3.50x) due to improvement in profitability and lower total debt as on balance sheet date.

Capital raising plans through issue of share warrants and equity shares on a preferential basis

As per the special resolution approved in the EGM dated April 29, 2024, the company plans to raise funds through a preferential issue of fully convertible share warrants and equity shares. The total expected proceeds of ~₹243 crore, will be utilized for strategic business acquisitions, expansion of existing business operations and working capital requirements. CTL's ability to integrate its acquisitions and to generate the expected synergies will be a key monitorable.

Key weaknesses

Concentrated order book and customer base

CTL's order book remains concentrated with top ten orders accounting for around 80% of outstanding order book value, thereby exposing the company to concentration risk. Also, the customer base is concentrated with the top 10 clients contributing to around 55% of TOI in FY24. The counterparty risk is mitigated by the company's long-term association with reputed clients.

Working capital intensive nature of operations

CTL's operations remain working capital intensive, emanating from high collection cycle and sizeable portion of unbilled revenues. CTL derives a major proportion of its revenues from government contracts, where the credit period ranges from 120 days to 150 days. Furthermore, invoices are raised on a milestone basis, leading to unbilled portions of revenue. Although the average collection period improved in FY24, it remained high at 236 days (PY: 283 days). Timely realization of receivables is critical from credit perspective.

Presence in a highly competitive industry

The IT & ITES industry is highly competitive, with both established and emerging companies striving to create their own niches. Furthermore, the industry is vulnerable to the rapid evolution of advanced technologies. In this industry, majority of the contracts are awarded by central and state government bodies through a tender process and are milestone-based, leading to significant working capital requirements.

Liquidity: Adequate

The liquidity position remains adequate as marked by annual gross cash accruals of ₹50-55 crore against annual repayment obligations of ₹2.50 crore over FY25-FY27. As on March 31, 2024, free cash and bank balance stood at ₹11.08 crore.

The average maximum and average utilization of fund-based limits stood at around 54% and 40% respectively for the twelve months ended May 31, 2024. The average maximum utilization of non-fund-based limits stood at around 82% for the twelve months ended May 31, 2024.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

[Consolidation](#)

[Rating Methodology - Service Sector Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Information Technology	Information Technology	IT - Services	IT Enabled Services

Incorporated in 1998, Ceinsys Tech Limited (formerly known as ADCC Infocad Limited; CIN: L72300MH1998PLC114790) is a part of the Nagpur-based Meghe group (founded by Mr. Datta Meghe). CTL is a technology solutions provider of geospatial engineering, mobility engineering services and enterprise solutions. The company has organised its business into three segments: Enterprise Geospatial & Engineering Services (EGES), software products and power generation.

CTL has two wholly owned subsidiaries, ADCC Infocom Private Limited (involved in software engineering, software development, remote sensing etc.) and ATPL (specialised in manufacturing engineering services).

Brief Financials (₹ crore) - Consolidated	March 31, 2023 (A)	March 31, 2024 (Abridged)
Total operating income	220.52	252.94
PBILDT	34.03	44.07
PAT	30.89	35.00
Overall gearing (times)	0.33	0.05
Interest coverage (times)	3.50	9.36

A: Audited; Note: 'the above results are latest financial results available'

Brief Financials (₹ crore) - Standalone	March 31, 2023 (A)	March 31, 2024 (Abridged)
Total operating income	167.04	205.68
PBILDT	18.95	41.93
PAT	6.36	24.58
Overall gearing (times)	0.32	0.13
Interest coverage (times)	2.27	7.54

A: Audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	65.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	28-02-2025	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	70.00	CARE A3

Annexure-2: Rating history for the 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-Cash Credit	LT	65.00	CARE BBB; Stable	-	1)CARE BBB-; Stable (31-Jul-23)	1)CARE BBB-; Stable (22-Nov-22)	1)CARE BBB- (CW with Developing Implications) (31-Dec-21) 2)CARE BBB-; Negative (28-Sep-21)
2	Non-fund-based - ST-BG/LC	ST	70.00	CARE A3	-	1)CARE A3 (31-Jul-23)	1)CARE A3 (22-Nov-22)	1)CARE A3 (CW with Developing Implications) (31-Dec-21) 2)CARE A3 (28-Sep-21)
3	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BBB-; Stable (31-Jul-23)	1)CARE BBB-; Stable (22-Nov-22)	1)CARE BBB- (CW with Developing Implications) (31-Dec-21) 2)CARE BBB-; Negative (28-Sep-21)
4	Fund-based - LT-Working Capital Demand loan	LT	-	-	-	-	1)Withdrawn (22-Nov-22)	1)CARE BBB- (CW with Developing Implications) (31-Dec-21) 2)CARE BBB-; Negative (28-Sep-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities – Not applicable
Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	ADCC Infocom Private Limited	Full	Wholly owned subsidiary of CTL
2.	Allygrow Technologies Private Limited	Full	Wholly owned subsidiary of CTL
3.	Technology Associates Inc., USA	Full	Wholly owned subsidiary of ATPL
4.	Allygrow Technology B.V., Netherlands (ATBV)	Full	Wholly owned subsidiary of ATPL
5.	Allygrow Technologies UK Ltd.	Full	Wholly owned subsidiary of ATPL
6.	Allygrow Technologies GmbH	Full	Wholly owned subsidiary of ATBV
7.	Allygram Systems and Technologies Private Limited	Proportionate share of profit	Joint Venture of ATPL

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

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About us:

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