

Axiscades Technologies Limited

October 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	21.00 (Enhanced from 6.00)	CARE A-; Stable	Reaffirmed
Long-term / Short-term bank facilities	80.00 (Enhanced from 55.00)	CARE A-; Stable / CARE A2+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings reaffirmation to bank facilities of Axiscades Technologies Limited (ACTL) considers consistent increase in total operating income of the company aided by organic and inorganic growth. Since FY23, the company has been focussing on vertical diversification, customer diversification and embedded and digital first offerings under the new management. CARE Ratings Limited (CARE Ratings) also positively factors in the company's reduced net debt levels following Qualified Institutional Placement (QIP) offer in January 2024. Ratings continue to factor in the company's established operational track record with marquee customers supported by fair diversification across sectors and geographies and experienced management.

However, there has been fall in the company's profit before depreciation, interest, and taxation (PBDIT) margins in FY24, as it faced headwinds in heavy engineering and automotive sectors. The company continues to invest in human capital considering future growth prospects. Ratings are also constrained by moderate scale of operations in the highly fragmented and competitive industry in which it operates, prospects of the company depend on the end-user industry's operational performance and investment climate, and profitability susceptible to foreign fluctuation risks.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improving revenues beyond ₹1,350 crore, net worth of over ₹800 crore, while maintaining total debt/PBDIT of less than 0.75x

Negative factors

- Declining revenues below ₹800 crore or total debt/PBDIT of over 1.5x

Analytical approach: Consolidated

ACTL has established subsidiaries across geographies and acts as onshore centres. The business model entails a high amount of integration of ACTL with its subsidiaries, and therefore, CARE Ratings has taken a consolidated approach to analyse its credit profile. ACTL's consolidated financials comprise full-consolidation of subsidiaries mentioned in Annexure-6.

Outlook: Stable

Stable outlook is considering CARE Ratings' expectation of stable credit profile with improved revenues due to addition of new customers and sustainable PBIDT margins.

Detailed description of key rating drivers:

Key strengths

Consistent improvement in operational performance

The company's income level continues to increase with company earning total operating income (TOI) of ₹955 crore in FY24 against ₹821 crore in FY23, on back of multiple client additions across verticals. Considering the current order book size and healthy order pipelines, CARE Ratings estimates that company's revenue would grow at a compounded annual growth rate (CAGR) of 15-18% in medium term while maintaining PBDIT margins in the range of 16%-18%. In CARE Ratings' opinion, the

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

management's focus on consistent addition of new customers in diversified segments would de-risk ACTL from over-dependence on a single customer/vertical and will augur well for its long-term prospects.

Improvement in capital structure following fund raise through QIP

ACTL raised net proceeds of ₹203 crore through QIP issue in the month of January 2024 of which ₹158 crore was earmarked for debt repayment while balance ₹45 crore is for utilisation towards general corporate purpose. The company has prepaid ₹157.5 crore of high cost NCD by utilising above QIP proceeds and internal accruals. With such debt prepayments, CARE Ratings estimates that ACTL's overall gearing would be less than 0.40x as on March 31, 2025, which would be significant improvement from 1.01x as on March 31, 2023. There will be improvement in debt coverage indicators also due to reduction in interest costs.

Established operational track record supported by marquee customers

ACTL commenced operation from 1990 and has over two decades of satisfactory track record of operation. Satisfactory execution of awarded projects enabled the company establish its credentials in acquiring marquee customers and repeat orders over the years, which has been its core strength. CARE Ratings notes that the company has acquired these customers, who are expected to continue carrying out the business considering their established relationship with the company. The company continues to acquire new clientele in the last one year, which augurs well for its revenues and profitability prospects.

Fair diversification across sectors and geographies

ACTL operates primarily across five sectors – aerospace, heavy engineering, automotive, energy and defense. For FY24, with a share of 30%, the aerospace vertical is the largest part of ACTL's business followed by Defense – 27%, heavy engineering – 16% and while remaining in product engineering, automotive and energy segments. In terms of geography, revenues are well-diversified across Europe, North America, and Asia Pacific.

Key weaknesses**Intense competition in the industry**

The company is a reasonably large player and has established customer base across diverse industry segments. Operating environment of the end-user industry has a significant impact on the company's performance. Hence, the company constantly works on reducing over-dependence on few customers, which otherwise can cause considerable disruption to its revenues. However, such expansion into new business segments/industry involves significant investments. The company also faces intense competition from global capability centres (GCCs), large players with strong financial resources and from niche players operating in a specific segment.

Customer concentration risk

On a consolidated basis, ~26% of ACTL's revenues in FY23 were from its top two clients (35% in FY22). Improvement is due to addition of new customers, general improvement in the business scenario of its customers post lifting of air travel restrictions across countries and diversification of revenues by the company. Considering the customer concentration, the company's performance largely depends on their performance.

Liquidity: Adequate

The company's liquidity is strengthened by raise of funds through QIP issue, which has been used for debt prepayments and sustained improvement in operating cashflows, translating into high debt-service coverage ratio (DSCR) levels. On consolidated basis, ACTL had cash and cash equivalents of ₹206 crore as on June 30, 2024, though is expected to be lower on September 30, 2024, as certain amount would have been utilised for non-convertible debenture (NCD) prepayments.

Environment, social, and governance (ESG) risks

Environment: The company has adopted sustainable waste management practices and pollution-reduction measures. ACTL is training and building awareness to all stakeholders in the value chain to adhere and comply with all applicable environmental laws and regulations.

Social: ACTL prioritises employee well-being, diversity, and development to mitigate risks and maximise opportunities, leading to financial benefits, increased employee satisfaction, and enhanced client relationships.

Governance: The company ensures compliance with regulations, conduct employee training, and developed incident response plans.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Service Sector Companies](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information technology	Information technology	IT - services	IT enabled services

Incorporated in August 1990 as IT&T Enterprises Private Limited, ACTL initially commenced with BPO activities. Subsequently, with mergers and acquisitions over the years, its present business profile comprises providing engineering design services and has been serving verticals, including aerospace, defence, heavy engineering, automobile and industrial products. With acquisition of several companies, ACTL also entered system integration activities focused on the defence sector involving hardware and product design, development and deployment. ACTL has delivery centres in Hyderabad, Chennai, and Bengaluru. The company also has presence in America and Europe through its overseas subsidiaries.

Brief Financials-Consolidated (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	June 30, 2024 (UA)
Total operating income	821.62	955.12	223.5
PBILDT	154.18	129.01	31.5
PAT	-4.80	33.41	16.8
Overall gearing (times)	1.01	0.54	NA
Interest coverage (times)	4.25	2.24	3.89

A: Audited UA: Unaudited; NA: Not Available; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 31, 2028	20.00	CARE A-; Stable
Fund-based - LT/ST-CC/Packing Credit	-	-	-	-	80.00	CARE A-; Stable / CARE A2+
Non-fund-based - LT-Bank Guarantee	-	-	-	-	1.00	CARE A-; Stable

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/ST-CC/Packing Credit	LT/ST	80.00	CARE A-; Stable / CARE A2+	1)CARE A-; Stable / CARE A2+ (17-Apr-24)	1)CARE BBB+; Stable / CARE A2 (10-Aug-23)	1)CARE BBB; Stable / CARE A3 (25-Jan-23) 2)CARE BBB / CARE A3 (RWD) (27-Dec-22) 3)CARE BBB / CARE A3 (CW with Developing Implications) (22-Aug-22)	1)CARE BBB / CARE A3 (CW with Developing Implications) (24-Jan-22)
2	Non-fund-based - LT-Bank Guarantee	LT	1.00	CARE A-; Stable	1)CARE A-; Stable (17-Apr-24)	1)CARE BBB+; Stable (10-Aug-23)	1)CARE BBB; Stable (25-Jan-23) 2)CARE BBB (RWD) (27-Dec-22) 3)CARE BBB (CW with Developing Implications) (22-Aug-22)	1)CARE BBB (CW with Developing Implications) (24-Jan-22)
3	Fund-based - LT-Term Loan	LT	20.00	CARE A-; Stable	1)CARE A-; Stable (17-Apr-24)	1)CARE BBB+; Stable (10-Aug-23)	1)CARE BBB; Stable (25-Jan-23) 2)CARE BBB (RWD) (27-Dec-22) 3)CARE BBB (CW with Developing Implications) (22-Aug-22)	1)CARE BBB (CW with Developing Implications) (24-Jan-22)
4	Non-fund-based - ST-Loan Equivalent Risk	ST	-	-	-	-	1)Withdrawn (22-Aug-22)	1)CARE A3 (CW with Developing Implications) (24-Jan-22)

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-Term Loan	Simple
2	Fund-based - LT/ ST-CC/Packing Credit	Simple
3	Non-fund-based - LT-Bank Guarantee	Simple

Annexure-5: Lender details

To view 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	AXISCADES, Inc.	Full	Subsidiary
2	AXISCADES UK Limited	Full	Subsidiary
3	AXISCADES Technology Canada Inc.	Full	Subsidiary
4	Axis Mechanical Engineering Design (Wuxi) Co., Ltd.	Full	Subsidiary
5	AXISCADES GmbH	Full	Subsidiary
6	Cades Studec Technologies (India) Private Limited	Full	Subsidiary
7	AXISCADES Aerospace & Technologies Private Limited	Full	Subsidiary
8	AXISCADES Aerospace Infrastructure Private Limited	Full	Subsidiary
9	Enertec Controls Limited	Full	Subsidiary
10	Mistral Solutions Private Limited	Full	Subsidiary
11	Mistral Solutions Inc.	Full	Subsidiary
12	Aero Electronics Private Limited	Proportionate	Associate company
13	Mistral Technologies Private Limited	Full	Subsidiary
14	Explosoft Tech Solutions Private Limited	Full	Subsidiary
15	Add Solutions GmbH	Full	Subsidiary
16	Epcogen Private Limited	Full	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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