

Ceinsys Tech Limited (Revised)

November 22, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	71.25 (Reduced from 71.99)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed and removed from Credit watch with Developing Implications; Stable outlook assigned
Short Term Bank Facilities	85.00	CARE A3 (A Three)	Reaffirmed and removed from Credit watch with Developing Implications
Long Term Bank Facilities	-	-	Withdrawn
Total Bank Facilities	156.25 (₹ One hundred fifty-six Crore and twenty-five lakhs only)		

Details of instruments/facilities in Annexure-1.

Note: CARE has withdrawn the term loan facility based on the "No dues certificate" obtained from the company.

Detailed rationale and key rating drivers

The ratings to the bank facilities of Ceinsys Tech Limited (CTL) were placed on credit watch with developing implications following the company's announcement of a proposed acquisition of 100% stake in Allygrow Technologies Private Limited (ATPL), a company specialised in manufacturing engineering services. CARE Ratings had also noted that CTL was likely to derive benefits from the transaction by leveraging ATPL's overseas network and expand its geographical presence.

The ratings have been reaffirmed and removed from 'credit watch with developing implications' while assigning the 'stable' outlook following acquisition of 100% equity shares of ATPL by CTL in Q2FY23 (refers to the period April 01 to September 30). The ratings continue to derive strength from CTL's long track record in execution of engineering consultancy and geographical information services (GIS) related orders in various sectors, and experienced management. The rating also factors in comfortable capital structure and a healthy order book position, thereby providing revenue visibility in the medium term and adequate liquidity.

The rating strengths, however, continue to remain constrained by the company's moderate scale of operations, moderate debt coverage indicators, working capital-intensive nature of operations emanating from high collection cycle and sizable portion of unbilled revenues.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Total operating income above Rs.300 crore annually on a sustained basis along with improvement in PBILDT margin to above 15%
- Improvement in average collection period to less than 175 days
- Improvement in the debt coverage indicators with total debt/gross cash accruals (TDGCA) of below 2x.

Negative factors – Factors that could lead to negative rating action/downgrade:

- TOI below Rs 150 crore on a sustained basis along with deterioration in profit margins.
- Any sustained delay in execution of orders in hand.
- Elongation in collection period resulting in deterioration in liquidity position.

Detailed description of the key rating drivers

Key rating strengths

Completion of 100% Acquisition of ATPL

The company has completed 100% Acquisition of equity shares of ATPL in Q2FY23 and ATPL has become the Wholly-owned Subsidiary of the Company. ATPL is a technology driven engineering service company and has its presence in US, Europe and India and specializes in Product design and Robotics automation. The company derives majority of its revenue from international market. With acquisition of ATPL, CTL is likely to derive benefits from the transaction by leveraging ATPL's overseas network and expand its geographical presence.

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

Healthy order book position: Majority of the orders are primarily obtained from state governments, municipal bodies and public sector units and a few from corporate entities. The company had an outstanding order book to sales ratio of 1.88x of FY22 TOI as on November 15, 2022 (as compared to order book to sales ratio of 2.16x of FY21 TOI as on Sep 30, 2021). The company has changed its product/service mix, shifting focus towards consultancy business from survey business, over the past three years. Furthermore, ATPL and Allygram Systems and Technologies Private Limited (Joint Venture of ATPL) has an order book of Rs.21 crore and Rs.14.60 crore respectively as on November 15, 2022.

Experienced Management: CTL is promoted by Mr. Sagar Meghe (Chairman and Director) jointly managed by Mr Prashant Kamat (Vice Chairman and CEO), Mr Abhay Kimmatkar (Managing Director) and Mr. Rahul Joharapurakar (JMD: Joint Managing Director), who are well qualified and experienced. The MD and JMD are associated with the organization since long and are well versed with the intricacies of the business. The company has a combination of engineers across multiple disciplines with significant experience in various industries, tools/platforms and project management methodologies.

Established track record in execution of orders: CTL has a track record of more than two decades as a solution provider offering Geographical Information Services (GIS) and Engineering Solutions. CTL specializes in designing, capturing, storing, mapping, analyzing and manage all types of geographical data. Over the period CTL has diversified into niche domains like energy systems & solution (SCADA-DMS implementation, automated metering infrastructure, IT roll out) and water management services.

Comfortable capital structure: The debt profile of the company mainly comprised of working capital borrowings ICDs, term loan, advances from customers and lease liabilities. The overall gearing ratio stood comfortable at 0.47x as on March 31, 2022 mainly on account of repayment of ICDs and scheduled repayment of term loans and increase in networth base. As on H1FY23, the capital structure continues to remain comfortable at 0.55x. Going forward, the capital structure is expected to remain in the similar level.

Key rating weaknesses

Moderate scale of operations and profitability: The total operating income (TOI) of the company increased to Rs.203.12 crore in FY22 (as compared to Rs.185.23 crore in FY21), with Enterprise Geospatial & Engineering Services (EGES) segment being the growth driver (EGES segment revenue stood at 174.39 crore in FY22 as compared to Rs.167.70 crore in FY21). Further, during H1FY23, the TOI stood at Rs.95.33 crore. The PBILDT and PAT margin improved to 11.94% and 4.69%, respectively in FY22 on account of better fixed cost absorption, higher margin contributed from EGES segment coupled with lower capital charges. During H1FY23, the PBILDT margin continued to remain moderate at 12.48% as compared to 11.38% in H1FY22. The profit margins, going forward is expected to remain at moderate. During H1FY23, CTL (standalone) reported TOI of Rs. 67.13 crore and net loss of Rs.4.50 crore.

Moderate debt protection metrics: The debt protection metrics improved and continues to remain moderate with total debt to gross cash accruals (TDGCA) and PBILDT interest coverage at 6.01x and 2.19x respectively as at the end of FY22. The same was mainly on account of improvement in profitability and cash accruals.

Liquidity position: Adequate Liquidity position of CTL is characterized by sufficient cushion in accruals vis-à-vis repayment obligations. Gross cash accrual (GCA) is expected to be ~Rs.30 crore against the repayment obligations between Rs.1 crore – Rs.2 crore in FY23. Further, the company has free cash & bank balance of ~Rs. 22 crore as on September 30, 2022. CTL derives a major proportion of its revenues from government contracts where the credit period varies from 120 days to 150 days. Furthermore, invoices are raised on a milestone bases, thereby creating an unbilled portion of revenue. Average collection period for the year FY22 continues to remain high. The working capital limits were utilized at around 88% for last 12 month ended September 30, 2022. The cash flow from operations stood at Rs.15.08 crore during FY22.

Analytical approach- Consolidated

The analytical approach is changed to Consolidated on the basis of acquisition of Allygrow Technologies Private Limited (ATPL) during FY22.

List of subsidiary companies of Ceinsys Tech Limited considered for Consolidated Approach:

Name of company	Type	Percentage of holding by CTL as on September 30, 2022
ADCC Infocom Private Limited	Subsidiary	100%
Allygrow Technologies Private Limited	Subsidiary	100%

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company

CTL (formerly known as ADCC Infocad Ltd; listed on BSE, incorporated in 1998 – CIN: L72300MH1998PLC114790), headquartered at Nagpur, is a solution provider offering Geographical Information Services (GIS) and Engineering Solutions. CTL specializes in designing, capturing, storing, manipulating, analyzing and manage all types of geographical data. Its services include GIS, Remote Sensing, LiDAR (Light Detection and Ranging), Photogrammetry, Energy System and solutions, Engineering Design Services, Surveys and Customized Application Development. Further, the company has completed 100% acquisition of equity shares of ATPL in Q2FY23, funded through cash consideration and equity issuance.. As on March 31, 2022, CTL had two direct subsidiaries ADCC Infocom Private Limited (involved in activities like software engineering, software development, business computing, data communication and networking, image processing and remote sensing etc) and ATPL (specialised in manufacturing engineering services) and 5 step down subsidiaries i.e. Allygrow Technologies B.V, Technology Associates Inc., Allygrow Engineering Services Pvt Ltd, Allygrow Technologies, GmbH and Allygrow Technologies Ltd., UK

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	185.23	203.12	95.33
PBILDT	17.62	24.25	11.90
PAT	1.99	9.52	6.94
Overall gearing (times)	1.03	0.47	0.55
Interest coverage (times)	1.32	2.19	3.03

A: Audited, UA: Unaudited

Status of non-cooperation with previous CRA:

Any other information: Not applicable

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

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

Complexity level of various instruments rated for this company: Annexure-4

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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	70.50	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	Feb 2025	0.75	CARE BBB-; Stable
Fund-based - LT-Working Capital Demand loan		-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	85.00	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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	70.50	CARE BBB-; Stable	-	1)CARE BBB-(CWD) (31-Dec-21)	1)CARE BBB-; Negative (06-Oct-20)	1)CARE BBB-; Negative (21-Aug-19)

						2)CARE BBB-; Negative (28-Sep-21)		
2	Non-fund-based - ST-BG/LC	ST	85.00	CARE A3	-	1)CARE A3 (CWD) (31-Dec-21) 2)CARE A3 (28-Sep-21)	1)CARE A3 (06-Oct-20)	1)CARE A3 (21-Aug-19)
3	Fund-based - LT-Term Loan	LT	0.75	CARE BBB-; Stable	-	1)CARE BBB-(CWD) (31-Dec-21) 2)CARE BBB-; Negative (28-Sep-21)	1)CARE BBB-; Negative (06-Oct-20)	1)CARE BBB-; Negative (21-Aug-19)
4	Fund-based - LT-Working Capital Demand loan	LT	-	-	-	1)CARE BBB-(CWD) (31-Dec-21) 2)CARE BBB-; Negative (28-Sep-21)	1)CARE BBB-; Negative (06-Oct-20)	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	
I. Margins on Fund based limits	Margin of 25-35% on all inventory and book debts; debtors cover a period from 180 days to 360 days for government receivables subject to banks instructions; Margin for debtors more than 180 days to 360 days is 50%
Ii. Margins on Non-Fund based limits	10% cash margin
B. Non-financial covenants	
I. Submission of Annual and Quarterly financial Statements	Two copies of audited balance sheet to be submitted not later than 180 days from the close of a financial year
Ii. Submission of stock and debtors statement	Monthly stock statements and book debt to be submitted within 20 days of month end. Quarterly financial statements to be submitted within 45 days from the date end of the quarter Annual financial statements - Provisional results within 90 days of financial year end - Audited results within 180 days of financial year end

Annexure-4: Complexity level of various instruments rated for this company

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

Annexure-5: Bank lender details for this company

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

Note on 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.

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Ashish Kashalkar
Phone: 9890615061
E-mail: Ashish.Kashalkar@careedge.in

Relationship contact

Name: Aakash Jain
Phone: +91-8106400001
E-mail: Aakash.jain@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**