CARE Ratings
Professional Risk Opinion

# ADCC Infocad Limited

March 30, 2017

**Ratings**

| Facilities | Amount (Rs. crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 81.40 (enhanced from Rs.61.70) | **CARE BBB-; Stable (Triple B Minus; Outlook: Stable)** | **Revised from CARE BBB (Triple B)** |
| Short Term Bank Facilities | 60.00 (enhanced from Rs.55.00) | **CARE A3 (A Three)** | **Revised from CARE A3+ (A Three Plus)** |
| **Total facilities** | **141.40 (Rs. One Hundred Forty-One Crore and Forty lakhs Only)** | | |

*Details of instruments/facilities in Anneuxre-1*

**Detailed Rationale & Key Rating Drivers**

*The revision in ratings assigned to bank facilities of ADCC Infocad Limited (ADCC) factors in stretched liquidity profile marked by increase in working capital cycle, negative cash flow from operations and almost full utilization of working capital limits.*

*The ratings continue to derive strength from experienced management, track record in execution of geographical information services (GIS) related orders as well as moderate capital structure and debt coverage indicators.*

*These rating strengths however continue to be constrained by susceptibility of ADCC's cash flows to receipt of orders, timely realisations from clients and intense competitive nature of the industry.*

*Ability of the company to effectively manage and improve the working capital cycle and adequately improve cash flow from operations is the key rating sensitivities.*

**Detailed description of the key rating drivers**

**Key Rating Strengths**

***Experienced Management:*** ADCC is promoted by Mr. Datta Meghe's sons, Mr. Sagar Meghe (Non-Executive Chairman) and Mr. Sameer Meghe (Non-Executive Vice-Chairman). Day-to-day operations of company are looked by Mr. Amit Somani (Managing Director) and Mr. Abhay Kimmatkar (Jt. Managing Director) supported by team of professionals and experienced executives. Mr. Amit Somani has over 15 years' experience in Service industry and has been associated with the company for last 10 years.

***Track record in execution of geographical information services (GIS) related orders:*** ADCC's operating income increased at a CAGR of 30% in the last three years i.e. FY13 (refers to period from April 01 to March 31)-FY16 on account of orders from Geographical Information Services (GIS) and Engineering Services from the government and private sector entities. In FY16, ADCC's revenues grew by 28% to Rs.125.05 crore.

***Moderate capital structure and debt coverage indicators:*** ADCC's overall gearing worsened to 2.20x as on March 31, 2016 vis-à-vis 1.55x as on March 31, 2015 on account of increase in unsecured loans and working capital loans to support increase in working capital cycle. Total debt/GCA worsened to 8.39x as on March 31, 2016 vis-à-vis 6.28x as on March 31, 2015 due to the reason mentioned above.

**Key Rating Weaknesses**

***Stretched liquidity profile:*** ADCC derives large proportion of revenues from governments projects wherein credit period extended varies from 120 to 150 days and it has milestone based billing for government contracts. ADCC has an elongated gross working capital cycle which increased to 300 days in FY16 vis-à-vis 236 days in FY15. Average collection period increased to 138 days in FY16 (vis-à-vis 121 days in FY15) and average inventory period increased to 162 days in FY16 (vis-à-vis 115 days in FY15). The inventory holding (work in progress) for company remains high on account of milestone based billing for governments contracts. Debtors outstanding more than 6 months is almost 25% to the total debtors in FY16 (vis-à-vis 15% in FY15) mainly due to retention money lying with the government entities. As a result, working capital utilisation of fund based limits is fully utilized at 97% and non-fund based limits at 78% for past 12 months ended November 2016. Due to elongated working capital cycle, ADCC continues to post negative cash-flow from operations and it worsened to Rs.-22.49 crore in FY16 vis-à-vis Rs.-0.46 crore in FY15. ADCC's cash flows continue to remain susceptible to receipt of orders and timely payments from clients. However, comfort can be drawn from the fact that promoter

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

groups/related parties have infused unsecured loans to meet short term working capital requirement. Ability of ADCC to manage the working capital cycle remain a key credit monitorable.

***Intensely competitive, evolving and advanced nature of the industry:*** IT & ITES industry is intensely competitive with existing companies as well as new companies trying to create a niche for them. Furthermore, the industry remains susceptible to changes/emergence of advanced technologies in the industry. Further, majority of the contracts are awarded by central and state government bodies through tender process and are milestone based which results in high working capital requirement. The company's ability to adapt to evolving and advanced requirements of the clients remains critical to its credit profile.

**Analytical approach:** Standalone

**Applicable Criteria**
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology - Service Sector Companies
Financial ratios - Non-Financial sector

**About the Company**

ADCC Infocad Ltd (ADCC), incorporated in 1998, headquartered at Nagpur, is a solution provider offering Geographical Information Services (GIS) and Engineering Solutions. ADCC specializes in designing, capturing, storing, manipulating, analyzing and managing 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. The clientele of ADCC includes state government institutions, federal government institutions and corporates. ADCC is promoted by Mr. Datta Meghe's son Mr. Sagar Meghe (Non-Executive Chairman) and Mr. Sameer Meghe (Non-Executive Vice-Chairman). Presently, ADCC has presence in major states of India for GIS and Water solutions segment. ADCC came out with IPO in October 2014 and is listed on BSE SME Platform.

ADCC is a part of Meghe Group of Institutions (MGI) founded by Mr. Datta Meghe who has set up various educational institutes in Maharashtra in the field of Medical science, Engineering and Management. MGI has interests in the fields of Education, Infrastructure, Textile, Power, Media & Entertainment and is based out of Nagpur, Maharashtra.

During FY16, ADCC reported net sales and PAT of Rs.125.05 crore and Rs.7.42 crore respectively vis-à-vis FY15 where-in it reported net sales and PAT of Rs.97.68 crore and Rs.6.56 crore respectively.

During H1FY17, ADCC reported operating income and PAT of Rs.75.65 crore and Rs.5.48 crore respectively vis-à-vis H1FY16 where-in it reported net sales and PAT of Rs.51.49 crore and Rs.3.59 crore respectively.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

***Note on complexity levels of the rated instrument:*** *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.



**Annexure-1: Details of Instruments/Facilities**

| Name of the Instrument | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. crore) | Rating assigned along with Rating Outlook |
|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | - | - | - | 70.50 | CARE BBB-; Stable |
| Non-fund-based - ST-BG/LC | - | - | - | 60.00 | CARE A3 |
| Fund-based - LT-Term Loan | - | - | August 2020 | 10.90 | CARE BBB-; Stable |

**Annexure-2: Rating History of last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 | Date(s) & Rating(s) assigned in 2013-2014 |
| 1. | Fund-based - LT-Cash Credit | LT | 70.50 | CARE BBB-; Stable | - | 1)CARE BBB (25-Mar-16)<br>2)CARE BBB (29-Oct-15) | - | - |
| 2. | Non-fund-based - ST-BG/LC | ST | 60.00 | CARE A3 | - | 1)CARE A3+ (25-Mar-16)<br>2)CARE A3+ (29-Oct-15) | - | - |
| 3. | Fund-based - LT-Term Loan | LT | 10.90 | CARE BBB-; Stable | - | 1)CARE BBB (25-Mar-16) | - | - |

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