Ceinsys Tech Limited

August 21, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	76.87 (reduced from 77.02)	**CARE BBB-; Negative (Triple B Minus; Outlook: Negative)**	**Reaffirmed**
Short-term Bank Facilities	60.00	**CARE A3 (A Three)**	**Reaffirmed**
Total	**136.87 (Rupees One hundred thirty six crore and eighty seven lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings to the bank facilities of Ceinsys Tech Limited (CTL) (formerly known as ADCC Infocad Limited) continues to derive strength from CTL's long track record in execution of geographical information services (GIS) related orders, experienced management and healthy order book position. The ratings also factor in positive traction in execution of orders with higher profit margin, leading to improvement in cash accruals during Q4FY19 (refers to the period January - March) and Q1FY20 (refers to the period April - June)

The rating strengths, however, continue to remain constrained by thin and volatile net profitability, moderate capital structure and moderate debt coverage indicators, stretched liquidity profile marked by elongated working capital cycle coupled with high utilization of fund based limits, susceptibility of CTL's cash flows to timely realizations from clients and intense competition.

Going forward, the ability of CTL to profitably scale up its operations sustainably, while effectively managing its working capital requirement, reducing high interest bearing Inter corporate Deposits (ICD's) shall be the key rating sensitivity. Any further deterioration in receivable position will be a key rating monitorable.

Outlook: Negative

The outlook remains 'Negative' due to continuing high level of receivables hampering CTL's liquidity position, requiring CTL to rely highly on bank borrowings and high cost unsecured borrowings which, in turn has been weighing on the net profitability. While CARE Ratings notes faster execution of high margin orders and marginal improvement in the receivable recovery in recent past, CTL's ability to improve the recovery further remains to be seen.

The outlook may be revised to 'Stable' if CTL is able to achieve faster collection of old as well as new debtors, thereby meaningfully contributing to improvement of overall credit risk profile of the company.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Management

CTL is promoted by Mr. Sagar Meghe (CMD) jointly managed by Mr. Abhay Kimmatkar (Joint Managing Director), who is a qualified engineer, MBA and Ph.D in business management. He is associated with the organization since inception and heads technical front. Further the management is supported by a team of professionals and experienced executives like CA Dinesh Kumar Singh (Director Finance and CFO) who has experience of over two decades in finance industry and has been associated with the company from last 4 years; Dr. Hemant Thakare is the Whole Time Director. The company has a combination of engineers across multiple disciplines with significant experience in various industries, tools/platforms and project management methodologies. Further, Mrs. Renu Challu, CA Dhruv Kaji, Dr. Satish Wate and CA Kishore Dewani are the independent directors in the company.

Established track record in execution of orders

CTL has a track record of two decades as 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. Over the period CTL has diversified in to niche domains like energy systems & solution (SCADA-DMS implementation, automated metering infrastructure, IT roll out) and water management services.

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

Healthy order book position and client relationship

CTL has been able to maintain effective client relationships as a result of which it has seen a robust increase in its order book position during FY19. Out of which a major proportion of contracts are primarily obtained from state governments, municipal bodies and public sector units and the balance from corporate entities.

The company has changed product mix (shifting focus towards consultancy business from survey business), also company has expanded into new domains like Defense, homeland security and has ventured into professional consultancy, smart city projects likely to account for major proportion of revenue in upcoming years.

Key Rating Weaknesses

Financial risk profile marked by improved scale of operation, yet low net profitability

CTL registered TOI of Rs 177.08 crore during FY19 registering a Y-o-Y growth of ~28% from Rs. 138.39 crore during FY18 on account of increase in revenue from Enterprise Geospatial & Engineering Services segment accounting for ~91% of sales in FY19 (PY: 85%) while sale of software segment contributed 8% of total sales. PBILDT margin during FY19 declined marginally by 36 bps and stood at 15.51% during FY19 (PY 15.87%). However on absolute terms PBILDT margin improved and stood at Rs. 27.47 crore (PY Rs. 21.97 crore).

Further, PAT margin continued to remain low at 1.55% improved from 1.02% in FY18 and 0.10% in FY17 however remained low due to high interest expenses of Rs.16.21 crore. GCA for the year FY19 stood at Rs. 7.46 crore (PY Rs. 5.43 crore).

Q1FY20 performance:

During Q1FY20 ((UA), refers to the period April 01 to June 30), CTL has achieved sales of Rs. 34.07 crore. And PBILDT margin stood at 36.58%.

Moderate capital structure and protection metrics

As on March 31, 2019, total debt stood at Rs. 121.80 crore comprised of working capital borrowings of Rs. 68.71crore (56% of total debt), Unsecured loans (inter corporate deposits) of Rs. 45.62 crore (37.45% of total debt) and term loan of Rs. 4.05 crore (~3% of total debt). On account of increase in short term unsecured loans (ICD) and high cash credit utilization, overall gearing as on March 31, 2019 deteriorated and stood at 1.91x (PY 1.83x). TDGCA stood high at 16.32x vis-à-vis 21.6x as on March 31, 2018. Interest coverage forFY19 stood at 1.54x vis-à-vis 1.37x for FY18. It is majorly on account of high interest bearing ICD's.

Going ahead increase in interest rate and ICD's will be key rating monitorable.

Elongated operating cycle resulting from stretched receivables

CTL derives a major proportion of its revenues from government contracts where the credit period varies from 120 days to 150 days. The Company had high trade receivables of Rs. 112.83crore as on March 31, 2019 vis-a-vis Rs. 113.78 crores as on March 31, 2018 majorly on account of delayed payment from government contracts and milestone based billing. Average collection period for the year FY19 remained high at 239 days (PY: 265 days). Operating cycle, though improved, remained elongated at 153 days in FY19 as against 221 days in FY18.

However, going ahead timely realization of old and new debtors will be key rating monitorable.

Industry Outlook - Intensely competitive, evolving and advanced nature of the industry

The geospatial industry in India was estimated to be worth USD1.1 billion in 2017-18 and is expected to grow at 13.8% in the near term. Driven by AI, Big Data, IoT, robotics, satellite, mapping, and location technologies, geospatial is a key driver for building smart cities, driver-less cars, etc. 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 need. The company's ability to adapt to evolving and advanced requirements of the clients remains critical to its credit profile. Currently the Indian government is running 163 geospatial-related projects across over 50 departments. Large sums of money have been pumped into these projects by the government. From the Ganga-cleaning project to mapping health and education schemes, the government is increasingly using geospatial technologies

Stretched liquidity

Liquidity is marked by tightly matched accruals to repayment obligations, highly utilized bank limits; ~94% for Fund Based Working Capital limits and ~82% for Non-Fund Based limits during 12 months ending May, 2019. As on March 31, 2019 cash and bank balance of CTL stood at Rs. 0.25 crore. Current ratio as on March 31, 2019 stood at 1.01x (PY 1.18x).

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

Ceinsys Tech Limited (CTL; *formerly known as ADCC Infocad Ltd; listed on BSE*, incorporated in 1998), 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.

CTL clientele includes state government institutions, federal government institutions and corporates. Presently the company has presence in major states of India like Karnataka, Uttar Pradesh, Himanchal Pradesh, Maharashtra, etc., for GIS and Water solutions segment.

As on March 31, 2019 CTL has only one subsidiary ADCC Infocom Private Limited (involved in activities like software engineering, software development, business computing, data communication and networking, image processing and remote sensing etc.) with 100% of shareholding.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)	Q1FY20 (UA)
Total operating income	138.39	177.08	34.07
PBILDT	21.97	27.47	11.78
PAT	1.41	2.74	5.26
Overall gearing (times)	1.87	1.41	NA
Interest coverage (times)	1.38	1.54	3.18

A: Audited; UA: Un-Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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-; Negative
Non-fund-based - ST-BG/LC	-	-	-	60.00	CARE A3
Fund-based - LT-Term Loan	-	-	February, 2025	6.37	CARE BBB-; Negative

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	70.50	CARE BBB-; Negative	-	1)CARE BBB-; Negative (31-Oct-18)	1)CARE BBB-; Stable (19-Sep-17)	1)CARE BBB-; Stable (30-Mar-17)
2.	Non-fund-based - ST-BG/LC	ST	60.00	CARE A3	-	1)CARE A3 (31-Oct-18)	1)CARE A3 (19-Sep-17)	1)CARE A3 (30-Mar-17)
3.	Fund-based - LT-Term Loan	LT	6.37	CARE BBB-; Negative	-	1)CARE BBB-; Negative (31-Oct-18)	1)CARE BBB-; Stable (19-Sep-17)	1)CARE BBB-; Stable (30-Mar-17)

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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