Ceinsys Tech Limited

September 19, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities-Term Loans	9.50 (reduced from Rs.10.90 crore)	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	**Reaffirmed**
Long Term Bank Facilities - Fund based Facilities	70.50	**CARE BBB-; Stable (Triple B Minus; Outlook: Stable)**	**Reaffirmed**
Short Term – Non-Fund based Facilities	60.00	**CARE A3 (A Three)**	**Reaffirmed**
Total	**140.00 (Rupees One hundred and forty crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings assigned to bank facilities of Ceinsys Tech Limited (CTL) (formerly known as ADCC Infocad Ltd.) continue to derive strength from experienced management, track record in execution of geographical information services (GIS) related orders, moderate capital structure and debt coverage indicators. The ratings also factors in the growth in revenue coupled with high profitability margins and moderate order book position.

However, the rating strengths continue to be tempered by stretched liquidity profile marked by elongated working capital cycle and high utilization of working capital limits, susceptibility of CTL's cash flows to timely realizations from clients and intense competition.

CARE notes that company is no more bidding for infrastructure projects especially in power segment where the working capital cycle is high and going ahead the focus of the company is to enter into projects in defense and homeland security segments which will fetch higher margins and have comparatively lower operating cycle.

Going forward, the ability of the company to grow its scale of operations, given discontinuation of infrastructure projects primarily in power segment, maintenance of profitability margins along with effective management of the working capital requirement are the key rating sensitivities.

Outlook: Stable

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Management

CTL is promoted by Mr. Datta Meghe's son 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. The company recently appointed Mr. Atul Dev Tayal as the Vice Chairman and Senior Managing Director and Mr. Dhruv Kaji as the Independent Director.

Growth in revenues coupled with high profitability margins

CTL's operating income increased at a CAGR of 28.17% in the last three years i.e. FY15 (refers to period from April 01 to March 31)- FY17 on account of orders from Geographical Information Services (GIS) and Engineering Services from the government and private sector entities. In FY17, CTL's total income from operations grew by 28.26% to Rs.161.38 crore. The PBILDT margins continue to remain high. In FY17, at a consolidated level, the company booked operating income of Rs.169.29 crore and PAT of Rs.14.95 crore.

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

Moderate capital structure and debt coverage indicators
CTL's overall gearing (including acceptances and LC backed creditors) stood at 2.04x as on March 31, 2017. The company enhanced its working capital limits to support the higher business operations with long working capital cycle. The high gross cash accruals in FY17 led to improvement in Total debt to gross cash accrual ratio as on March 31, 2017. Interest coverage stood at 2.28x in FY17.

Key Rating Weakness
Elongated working capital cycle
CTL 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. CTL has an elongated gross working capital cycle which increased to 248 days in FY17 vis-à-vis 241 days in FY16. As a result of both high collection and inventory period, working capital utilisation of fund based limits is at 86.15% and non-fund based limits at 67.11% for 12 months ended May 2017.

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 a forte 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 need. 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
Ceinsys Tech Ltd (formerly known as ADCC Infocad Ltd), 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. It provides services to various domains such as Water Solution, Energy Solution, Engineering Energy System, etc. The clientele of CTL includes state government institutions, federal government institutions and corporates.
CTL is promoted by Mr. Datta Meghe's son Mr. Sagar Meghe (Non-Executive Chairman) and Mr. Sameer Meghe (Non-Executive Vice-Chairman). Presently CTL has presence in major states of India for GIS and Water solutions segment. CTL came out with IPO in October 2014 and is listed on BSE SME Platform.

Brief Financials (Rs. crore)	**FY17 (A)**	**FY16 (A)**
Total operating income	161.38	125.82
PBILDT	34.35	26.71
PAT	10.72	7.42
Overall gearing (times)	1.94	2.20
Interest coverage (times)	2.28	2.42

A: 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

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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About CARE Ratings:

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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	9.50	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	70.50	CARE BBB-; Stable	-	1)CARE BBB-; Stable (30-Mar-17)	1)CARE BBB (25-Mar-16) 2)CARE BBB (29-Oct-15)	-
2.	Non-fund-based - ST-BG/LC	ST	60.00	CARE A3	-	1)CARE A3 (30-Mar-17)	1)CARE A3+ (25-Mar-16) 2)CARE A3+ (29-Oct-15)	-
3.	Fund-based - LT-Term Loan	LT	9.50	CARE BBB-; Stable	-	1)CARE BBB-; Stable (30-Mar-17)	1)CARE BBB (25-Mar-16)	-

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