

Ceinsys Tech Limited

October 31, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action
Long term Bank Facilities	6.52 (reduced from 9.50)	CARE BBB-; Negative (Triple B Minus; Outlook: Negative)	Rating Reaffirmed with outlook revised to negative from stable
Long term Bank Facilities	70.50	CARE BBB-; Negative (Triple B Minus; Outlook: Negative)	Rating Reaffirmed with outlook revised to negative from stable
Short-term Bank Facilities	60.00	CARE A3 (A Three)	Reaffirmed
Total	137.02* (Rupees One hundred and thirty seven crore and two lakhs only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The 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, and healthy 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, leveraged capital structure, susceptibility of CTL's cash flows to timely realizations from clients and intense competition.

The outlook has been revised from stable to negative. The negative outlook takes into account further deterioration in receivables period during FY18 coupled with operating losses in Q1FY19.. The outlook will be revised to stable if the debtor's position and the operating performance of the company improves.

The ability of the company to timely realize its debtors and improve the scale of operations and profitability are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Management

CTL is promoted by Mr. Datta Meghe's son Mr. Sagar Meghe (Chairman and Managing director). Day-to-day operations of company are looked by Mr. Dinesh Singh (Director-Finance) and Dr. Abhay Kimmatkar (Jt. Managing Director) with 25 years of experience supported by team of professionals and experienced executives. The company recently appointed Mrs. Renu Challu and Mr. Dhruv Kaji as the Independent Directors.

Established track record in execution of orders

CTL has been able to maintain effective client relationships as a result of which it has a comfortable order book position of contracts worth Rs.306 crore. A major proportion of contracts are primarily obtained from state governments, municipal bodies and Public sector units (comprising more than 90% of total contracts) and the balance from corporate entities. The company has also expanded into new domains like defense and homeland security services and has ventured into professional consultancy and smart city projects. This is likely to improve the scale of operations.

Key Rating Weakness

Subdued revenue coupled with low profitability in FY18

Revenues remained flat with marginal increase of 0.58% in FY18 along with low operating margins at 15.9% and PAT margin at 1.02%. Revenues were primarily driven by GIS segment accounting for 84% of total income. Profitability remained substantially low due to increased expenses on account of establishment costs and hiring during the year.

Leveraged capital structure and weak debt protection metrics

As on March 31st, 2018 total debt stood at Rs.117 crore mainly on account of high working capital borrowings due to slow recovery from debtors. Overall gearing improved to 1.87x as on March 31st, 2018 as compared to 2.45x as on March 31st, 2017 due to equity infusion of Rs.17 crore during the year. However Total Debt to Gross cash accruals remained high at 21.6x due to low profitability. Interest coverage also stood low at 1.38x during FY18.

Stretched liquidity profile

CTL derives a major proportion of its revenues from government contracts where the credit period varies from 120 days to 150 days. The company holds high receivables due to milestone based billing from government contracts. Thus liquidity profile remains stretched. The working capital limits also stands fully utilized and provides no significant liquidity backup.

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 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:

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 (Chairman and Managing director) 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)	FY18 (A)
Total operating income	137.59	138.39
PBILDIT	19.34	21.97
PAT	0.14	1.41
Overall gearing (times)	2.45	1.87
Interest coverage (times)	1.27	1.38

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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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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	-	-	-	6.52	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	70.50	CARE BBB-; Negative	-	1)CARE BBB-; Stable (19-Sep-17)	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 (19-Sep-17)	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	6.52	CARE BBB-; Negative	-	1)CARE BBB-; Stable (19-Sep-17)	1)CARE BBB-; Stable (30-Mar-17)	1)CARE BBB (25-Mar-16)

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