CSM Technologies Private Limited

March 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	53.55 (Enhanced from 26.50)	CARE BBB; Stable	Reaffirmed
Long-term / Short-term bank facilities	58.00 (Enhanced from 23.50)	CARE BBB; Stable / CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of CSM Technologies Private Limited (CSM) continue to derive strength from professionally qualified and experienced promoters and management, association with reputed clientele across end-user markets, satisfactory order book position and comfortable financial risk profile. However, ratings are constrained by moderate despite improving scale of operations and moderation in profitability margins in FY24 (refers to April 01, 2023 to March 31, 2024), modest net worth base, exposure to client concentration, tender-based nature of operations, foreign exchange fluctuation risk and exposure to changes in government regulations, intense competition and industry risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing scale of operations with total operating income (TOI) of over ₹250 crore and sustenance of current profit before interest, lease rentals, depreciation and tax (PBILDT) margin of over 15%.
- Net worth base of over ₹75 crore on a sustained basis.

Negative factors

- Substantially dip in TOI by over 20% and moderation in PBILDT margins to below 12% on a sustained basis
- Higher-than-expected capital expenditure (capex) leading to moderation in capital structure marked by overall gearing over 0.80x on sustained basis.

Analytical approach: Consolidated financials of CSM as subsidiaries are into the same line of business and are operating under the common management. Subsidiaries of CSM that have been consolidated are mentioned under Annexure-6.

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes CSM will continue to benefit from extensive experience of promoter in the same line of business and satisfactory order book position, leading to sustained improvement in scale of operations, while maintaining current operating margins.

Detailed description of key rating drivers:

Key strengths

Professionally qualified and experienced promoters and management

Priyadarshi Pany, the company's founder and director has over 25 years of experience in the engineering and IT industry. He is a member of the NASSCOM Council, Confederation of Indian Industry (CII) and other industry bodies. He is one of the founding members of Confederation of Information Technology Enterprises (CITE) Bhubaneswar. Priyadarshi Pany is supported by his mother Sushama Pany (mother of Pany), who is another director of the company and brings over 25 years of experience in managing the company's operations. Under them, the company has delivered ICT solutions such as Development of Integrated Mines and Minerals Management System in Odisha, Jharkhand & Chhattisgarh, land management systems in Maharashtra and digitalised tea auction trade in Kenya. they are backed by a team of experienced and qualified professionals. Their extensive overall business experience is expected to support the business in future.

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

Association with reputed clientele across end-user markets despite exposure to client concentration
The customer profile includes government organisations and reputed corporate clients. Top five customers contributed ~67% of TOI in FY24, making it susceptible to client concentration. However, comfort is drawn from the fact that the company has long and established relations with its clients and has been able to get repeat orders from them over the years.

Satisfactory order book position
CSM has an outstanding order book of ₹261 crore on January 31, 2025, which is 1.36x of FY24 TOI. Over 50% of orders are from government organisations and recurring in nature. Majority current order book is derived from India, which exposes the company to economic and regulatory risk of the nation. However, the company has set up subsidiaries in Kenya, Rwanda, the USA, Canada and the UAE to cater to export markets across Africa, the USA, and Europe, among others to diversify its order book going ahead.

Comfortable financial risk profile
Historically, the company's capital structure remained healthy till FY23, however, considering new term loan of ₹21.50 crore availed by the company for construction of new software development centre/office, overall gearing has moderated to 0.54x as on March 31, 2024 from 0.11x as on March 31, 2023. However, with gradual repayment and accretion of profits to reserves, the same is expected to improve FY26 onwards.

The company is constructing a new software development centre/office in G+12 structure in Bhubaneswar, which will be constructed in multiple phases. Phase 1 (G+2) is already constructed till December 2024 at total project cost of ₹29 crore funded through term loan of ₹21.50 crore and internal accruals of ₹7.50 crore.

Debt coverage indicators moderated although remained comfortable marked by interest coverage ratio of 7.81x in FY24 (11.22x in FY23). Total debt to gross cash accruals (TD/GCA) stood at 2.03x as on March 31, 2024 (0.31x as on March 31, 2023).
The capital structure and debt protection metrices are expected to remain satisfactory in the near-to-medium term.

Key weaknesses
Moderate scale of operations and moderation in profitability margins in FY24
Although CSM's scale of operations witnessed healthy y-o-y growth of ~25% resulting in total operating income of ₹192.30 crore in FY24 against ₹154.11 crore in FY23, which continues to remain moderate. Growth is primarily driven by execution of higher value orders from current customers and acquisition of new customers.
PBILDT margins have moderated by 476 bps to 11.17% in FY24 (FY23: 15.94%) primarily due to increase in employee expenses and operating overheads. The company recruited ~200-300 new employees to prepare for better market opportunities in the future. In 9MFY25, the company earned PBILDT of ₹11.19 crore on total operating income of ₹129.41 crore.
TOI is expected to improve gradually in near-to-medium term with timely execution of orders, with similar levels of margins.

Modest net worth base
Although the company has been in the industry for over 25 years, the net worth base continues to remain modest at ₹55.70 crore as on March 31, 2024, although improved from ₹49.13 crore as on March 31, 2023. Improvement in net worth remains key rating sensitivity.

Tender-based nature of operations
Majority orders are received from government organisations. The contract is tender-based and revenues depend on CSM's ability to bid successfully for these tenders. The company's profitability margins may come under pressure because of the industry's competitive nature. Orders are generally tender driven floated by government units indicating a risk of non-receipt of contract in a competitive industry. However, CSM's promoters' long industry experience in the engineering and IT industry, mitigates this risk to some extent.

Foreign exchange fluctuation risk and exposure to changes in government regulations
The company's exchange risk arises from its foreign currency revenues (primarily in US Dollars), however, a significant portion of the company's revenue is in Indian Rupee. CSM derived ~4-5% of its revenues in foreign currency, while a major portion of its corresponding costs are in Indian Rupee. The company remains exposed to foreign currency fluctuation to the extent of expenses of its foreign subsidiaries such as employee costs, rentals,

maintenance, among others. The company does not hedge its foreign exchange fluctuation risk. Hence, there is a risk of adverse movement in foreign exchange and its negative impact on the company's profitability margins.

Intense competition and industry risk
CSM is a relatively moderate-scale player in the IT services industry, which is dominated by large multinationals with deep pockets. The industry faces intense competition due to low entry barriers. The IT industry also faces challenge from rapid technological changes, which may lead to obsolescence of certain software/services. Availability and retention of a skilled workforce, attrition levels and wage inflation pose a challenge. Players in this industry are also exposed to macroeconomic factors such as adverse changes in laws, recession and IT being discretionary spend, cost reduction initiative would result in reduction in IT spends by clients.

Liquidity: Adequate
Liquidity is adequate marked by (GCA) of ₹14.90 crore against scheduled debt repayment obligation of ₹2.01 crore in FY24; supported by current ratio of 1.42x and moderate working capital utilisation of 72% for 12 months ending December 31, 2024. The company had cash and bank balance of ₹7.48 crore as on March 31, 2024, including margin money of ₹6.59 crore. The company is expected to generate sufficient cash accruals in FY25 against debt repayment of ₹3.05 crore. CSM generated net cash flow from operations of ~₹7.63 crore in FY24 aided by efficient and prudent working capital management.
Going forward, with sufficient cushion between debt repayment obligations and expected cash accruals with no major capex plans, CARE Ratings expects that the company's liquidity will remain adequate in the near-to-medium term.

Environment, social, and governance (ESG) risks- Not applicable

Applicable criteria
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Service sector
Financial Ratios – Non financial Sector
Short Term Instruments
Consolidation

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Information technology	Information technology	IT - services	IT-enabled services

CSM incorporated in 1998 was established as Cybertech Software & Multimedia Private Limited by Bhubaneswar, Odisha based Priyadarshi Pany (Managing Director). The company got its present name in October 2014. CSM specialises in delivering IT services and solutions, focusing on the development and implementation of customised applications and software, particularly in the e-governance sector. The company also offers consulting and advisory services. CSM also provides self-service technologies that enable government organisations and corporate clients to migrate, automate, and manage customer-facing business processes through self-service channels.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	154.11	192.30	129.41
PBILDT	24.56	21.48	11.19
PAT	15.53	10.03	NA
Overall gearing (times)	0.11	0.54	NA
Interest coverage (times)	11.22	7.81	NA

A: Audited, UA: Unaudited, NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	March 2033	23.55	CARE BBB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	58.00	CARE BBB; Stable / CARE A3+

Annexure-2: Rating History for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	58.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (08-Feb-24)	-	-
2	Fund-based - LT-Term Loan	LT	23.55	CARE BBB; Stable	-	1)CARE BBB; Stable (08-Feb-24)	-	-
3	Fund-based - LT-Cash Credit	LT	30.00	CARE BBB; Stable	-	1)CARE BBB; Stable (08-Feb-24)	-	-

LT/ST: Long term/Short term, LT: Long term

Annexure-3: Detailed explanation of covenants of rated instrument/facilities- Not applicable

Annexure 4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure 5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	CSM Technologies DWC LLC	Full	wholly owned subsidiary of CSM
2	CSM Technologies INC	Full	
3	CSM Tech Limited	Full	
4	CSM Tech Corp	Full	
5	CSM Technologies Africa Limited	Full	

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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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.

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