



CADSYS (INDIA) LTD

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URL : www.cadsystech.com
CIN: U72200AP1992PLC014558

Date: December 14th, 2018

To,
The Manager - Listing Department
National Stock Exchange of India Limited - EMERGE
Exchange Plaza, Bandra Kurla Complex,
Bandra East, Mumbai - 400051.

NSE Symbol: CADSYS

ISIN No.: INE090Y01013

Dear Sir/Madam,

Sub: Press Release - CRISIL Report on Long term and short term facilities.

Please find attached CRISIL report on rating rationale of the Company.

CRISIL has upgraded the rating of the Company to CRISIL BBB-/Stable from CRISIL BB+/
for long term bank facilities and reassigned CRISIL A3 for short term facilities.

The report issued by CRISIL is enclosed herewith for information on record.

Thanking You,
For Cadsys (India) Limited

Babladi Shailaja
Company Secretary and Compliance Officer
Membership No. A42918



Rating Rationale

November 30, 2018 | Mumbai

Cadsys (India) Limited

Long term rating upgraded to 'CRISIL BBB-/Stable'

Rating Action

Total Bank Loan Facilities Rated	Rs.7.5 Crore
Long Term Rating	CRISIL BBB-/Stable (Upgraded from 'CRISIL BB+/Stable')
Short Term Rating	CRISIL A3 (Reassigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has upgraded its rating on the long-term bank facilities of Cadsys (India) Limited (Cadsys) to '**CRISIL BBB-/Stable**' from '**CRISIL BB+/Stable**' and reassigned its '**CRISIL A3**' rating to the short-term facilities.

The upgrade reflects the improvement in the company's credit risk profile driven by increase in scale of operations, sustained healthy operating margin, and significant improvement in capital structure. Operating income rose to Rs 44.8 crore in fiscal 2018 from Rs 30.1 crore in fiscal 2016, and is expected to increase over the medium term. Moreover, the operating margin was healthy above 31% in the two fiscals through 2018. Also, the company raised Rs 14.7 crore in its initial public offering in October 2017, which resulted in substantial reduction in debt. Consequently, gearing improved to 0.29 time as on March 31, 2018, from 1.22 times a year earlier.

Liquidity is expected to be adequate because of healthy net cash accrual against negligible term debt, moderate utilisation of bank limit, and considerable unencumbered cash balance. Also, debt funding of planned capex and acquisitions is expected to remain low, and hence, the capital structure and liquidity should remain comfortable over the medium term. Sustaining revenue growth and profitability will be a key rating sensitivity factor.

The ratings reflect the extensive experience of the promoters in the information technology-enabled services (ITES) industry and the company's healthy financial risk profile, with low gearing and robust debt protection metrics. These strengths are partially offset by modest scale of operations and exposure to intense competition.

Analytical Approach

For arriving at the ratings, CRISIL has combined the business and financial risk profiles of Cadsys and its subsidiaries Apex Advanced Technology LLC (AAT), Apex Engineers India Pvt Ltd (AEIPL), and Cadsys Technologies LLC, USA (CTLLC), as all the entities are in similar businesses.

Key Rating Drivers & Detailed Description

Strengths

* Extensive experience of the promoters in the ITES industry

Founder director Mr Rangacharya is a post-graduate from the Indian Institute of Technology, Chennai, and has extensive experience in software development, computer-aided design (CAD), and marketing. He has expertise in workflow design and process re-engineering, an essential requirement for the ITES industry. Mrs Nallani Padmaja, the executive director and co-founder, handles the administrative and financial affairs.

* Healthy financial risk profile, with low gearing and robust debt protection metrics

The healthy financial risk profile is reflected in networth of Rs 21 crore and low gearing of 0.29 time as on March 31, 2018. The debt protection metrics are robust, indicated by net cash accrual to adjusted debt ratio and interest coverage of 1.58 times and 7.3 times, respectively, for fiscal 2018.

Weakness

* Modest scale of operations and exposure to intense competition

Despite revenue growth in the past two fiscals, scale of operations remained small, reflected in operating income of about Rs 45 crore in fiscal 2018. Intense competition in the ITES business will constrain revenue growth and pricing flexibility over the medium term.

Outlook: Stable

CRISIL believes Cadsys will continue to benefit from the extensive industry experience of the promoters. The outlook may be revised to 'Positive' if there is a more-than-expected increase in revenue, while profitability and working capital cycle remain stable. The outlook may be revised to 'Negative' if profitability declines steeply or if any large, debt-funded capital expenditure or acquisition impacts the financial risk profile and liquidity.

About the Company

Established in 1989 by Mr Nallani Venkata Rangacharya and based in Hyderabad, Cadsys provides engineering design, CAD services, Geographic Information System (GIS), and project management support in the fields of telecommunications, gas, and electric and software development.

For the six months through September 2018, Cadsys reported profit after tax (PAT) of Rs 5.93 crore and revenue of Rs 22.11 crore on a consolidated basis, against a PAT and revenue of Rs 3.23 crore and Rs 22.45 crore, respectively, for the corresponding period of the previous fiscal.

Key Financial Indicators (Consolidated)

Particulars	Unit	2018	2017
Revenue	Rs Cr.	44.77	42.61
Profit After Tax	Rs Cr.	6.53	10.97
PAT margin	%	14.6	25.7
Adjusted Debt/Adjusted Networth	Times	0.29	1.22
Interest coverage	Times	7.3	10.4

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Crore)	Rating Assigned with Outlook
NA	Bank Guarantee	NA	NA	NA	0.25	CRISIL A3
NA	Export Finance Limit	NA	NA	NA	4.00	CRISIL A3
NA	Overdraft	NA	NA	NA	3.00	CRISIL BBB-/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	0.25	CRISIL BBB-/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	7.25	CRISIL BBB-/Stable/ CRISIL A3			20-11-17	CRISIL BB+/Stable	01-08-16	CRISIL BB+/Stable		--	--
Non Fund-based Bank Facilities	LT/ST	0.25	CRISIL A3		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	.25	CRISIL A3	Foreign Bill Discounting	3	CRISIL BB+/Stable
Export Finance Limit	4	CRISIL A3	Overdraft	4	CRISIL BB+/Stable
Overdraft	3	CRISIL BBB-/Stable	Term Loan	.5	CRISIL BB+/Stable
Proposed Long Term Bank Loan Facility	.25	CRISIL BBB-/Stable	--	0	--
Total	7.5	--	Total	7.5	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Software Industry](#)

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