



Press Release

Cerebra Integrated Technologies Limited

April 05, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	18.99	IVR BBB-/ Credit Watch with Developing Implications (IVR Triple B Minus with Credit Watch with Developing Implications)	Assigned	Simple
Short Term Bank Facilities	10.00	IVR A3/ Credit Watch with Developing Implications (IVR A Three with Credit Watch with Developing Implications)	Assigned	Simple
Long Term /Short Term Bank Facility	21.01*	IVR BBB-/ A3/ Credit Watch with Developing Implications (IVR Triple B Minus/ A Three with Credit Watch with Developing Implications)	Assigned	Simple
Total	50.00	Rupees Fifty Crore Only		

**The facility is proposed in nature.*

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long-term rating of IVR BBB- with a Credit watch with developing implications and short-term rating of IVR A3 with a Credit watch with developing implications for the bank loan facilities of Cerebra Integrated Technologies Limited (CITL).

Rating on credit watch with developing implications is on account of remarks under Emphasis of matter under Auditor report for ABS FY21 regarding other non-current assets and advance given to subsidiary company outstanding for substantial period.

The rating draws comfort from the established track record of operations and experienced management, diversified customer base and healthy financial risk profile. However, these strengths are partially offset by volatility in margins and operating income and working capital intensive nature of operations.

IVR has principally relied on the standalone audited financial results of CITL upto 31 March 2021, 9MFY22 results and projected financials for FY22. FY23 and FY24, and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations and profitability margins
- Improvement in debt protection metrics
- Significant improvement in working capital cycle.

Downward Factors

- Any further significant rise in working capital intensity leading to a deterioration in the liquidity position.
- Significant reduction in the scale of operations and profitability margins
- Deterioration in debt protection metrics and overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Established track record of operations and experienced management:**
The company commenced its operations in 1992 and has a successful track record of around two decades in the existing line of business. Overall activities of CITL are managed by 9 directors as well as supported by qualified and well experienced management team.
- **Diversified customer base:**
With presence of around two decades, CITL has established a healthy relationship with its customers and suppliers. The company caters to several government entities. Also, it caters to well established players such as Samsung India Electronics Limited and LG Electronics in the e-waste division. The company has built a strong track record which has enabled the company in bagging repeat orders from its clients.
- **Healthy financial risk profile:**
Company has a strong net worth of Rs 234.48 crore as on March 31, 2021 backed by steady accretion to reserves. On account of low reliance on external debt, gearing is low at 0.05x as on March 31, 2021. Despite the high reliance on creditors, but backed by a strong networth, the TOL/TNW ratio is low at 0.25x as on March 31, 2021. On account of low reliance on external debt and healthy operating profitability, the debt-protection metrics are healthy, reflected in interest coverage ratio (ISCR) and debt coverage ratio (DSCR) of 2.84x and 2.26x respectively in FY 2021.



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B. Key Rating Weaknesses

- **Volatility in margins and operating income:**

About 95% of the industry is handled by unorganized players, which operate without any license and use unscientific methods to treat e-waste. Hence the business performance is susceptible to the intense competition in the industry. The revenues were in the range of Rs. 60-270 crores in the past three fiscals, while also witnessing large variations in the operating margins. Total operating income (TOI) declined to Rs.63.90 Crore in FY2021 from Rs. 99.86 crore in FY2020. In 9MFY22 the company achieved TOI of Rs. 154.16 crore.

- **Working capital intensive nature operations:**

The company has large working capital requirements which are reflected in an elongated conversion cycle 377 days in FY2021 (FY2020: 196 days). The average utilization of fund based working capital limits of the company stood high at ~83% during last 12 months ending 31st January 2022.

Analytical Approach: For arriving at the ratings, IVR has analysed CITL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)
[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

The liquidity of the company is expected to remain adequate marked by its adequate expected gross cash accruals as against its debt repayment obligations. The company has earned gross cash accruals of Rs. 4.96 crores in FY21 and expected to earn cash accruals in the range of ~Rs.17 – Rs. 85 crore as against debt repayment obligations in the range of ~Rs.0.80-Rs.1.29 crore during FY22-24.

About the company

Cerebra Integrated Technologies Limited, was initially established as partnership firm in 1992 and started its operation as manufacturing of computer systems and trading of its peripherals, components, etc. In 1993 it was converted to public limited company. CITL is currently engaged in the business of e-waste recycling, refining and refurbishment, electronic manufacturing services and IT infrastructure management. The company is listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).



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Financials (Standalone):

For the year ended as on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	99.86	63.90
EBITDA	26.40	11.46
PAT	6.43	4.52
Total Debt	4.95	11.71
Tangible Net worth	229.97	234.48
EBITDA Margin (%)	26.44	17.94
PAT Margin (%)	6.27	7.06
Overall Gearing Ratio (x)	0.02	0.05

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Tenure	Amount	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund based	Long Term	18.99	IVR BBB-/ Credit Watch with Developing Implications	-	-	-
2.	Fund based	Short Term	10.00	IVR A3/ Credit Watch with Developing Implications	-	-	-
3.	Fund Based/Non Fund Based	Long/Short Term	21.01*	IVR BBB-/ IVR A3/ Credit Watch with Developing	-	-	-



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**The facility is proposed in nature.*

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	2.99	IVR BBB-/ Credit Watch with Developing Implications
Cash Credit				11.00	IVR BBB-/ Credit Watch with Developing Implications
Bank Guarantee	-	-	-	3.00	IVR BBB-/ Credit Watch with Developing Implications
Letter of credit	-	-	-	2.00	IVR BBB-/ Credit Watch with Developing Implications
Overdraft#	-	-	-	10.00	IVR A3/ Credit Watch with Developing Implications
Proposed Facility*	-	-	-	21.01*	IVR BBB-/ IVR A3/ Credit Watch with Developing Implications

*The facility is proposed in nature.

#The facility tenure is six months only.

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Cerebra-apr22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).