CSM Technologies Ltd.

AVOID

BP WEALTH

IPO Note **23rd June 2026**

Company Overview

Founded in 1998 and headquartered in Bhubaneswar, CSM Technologies is a specialized GovTech and digital transformation company with over 27 years of experience in developing technology platforms for governments, public institutions and enterprises. The company serves central and state government departments, public sector undertakings, development agencies and select private enterprises, helping them digitize critical workflows, improve service delivery and enhance operational efficiency. Its operations span multiple sectors including Mining, Government & Public Services, Agriculture, Industry & Trade Facilitation, Education, Healthcare and Tourism. CSM offers end-to-end technology solutions across consulting, application development, implementation and post-deployment support, leveraging capabilities in Artificial Intelligence, data analytics, cloud computing and IoT. Over the years, the company has expanded beyond India and established a presence across 14 countries, including markets in Africa and North America. Supported by deep domain expertise, proprietary technology platforms and long-standing government relationships, CSM has positioned itself as a niche digital infrastructure partner driving large-scale digital transformation initiatives.

Objects of the issue

The company proposes to utilize net proceeds from the issue towards the following objects:

⇒ Funding working capital requirements of the company;

⇒ Prepayment or repayment of all or a portion of certain outstanding borrowings availed by company; and

⇒ Achieving inorganic growth through unidentified acquisitions and other strategic initiatives and general corporate purposes.

Investment Rationale

Mission-critical government platforms create high entry barriers and revenue visibility

CSM Technologies has built a strong competitive position in government-led digital transformation through nearly three decades of domain expertise, deep government relationships and mission-critical platforms. Its strongest presence is in the mining sector, where digital mineral management systems are deployed across Odisha, Jharkhand and Chhattisgarh. These three states together account for nearly 80% of India's major mineral production. The company operates across 10 verticals, including Government & Public Services (25.7% of FY25 revenue), Mining (24.7%), Education (14.8%) and Agriculture (16.1%) reducing dependence on any single sector. Supported by CMMI Level 5 and SOC 2 certifications, long-standing government empanelment's and a successful execution track record, CSM enjoys high entry barriers in a market where qualification requirements are often as important as technical capabilities. As of March 2026, the company had an order book of Rs. 358 crores, equivalent to nearly 1.8x FY25 revenue, providing strong revenue visibility. Customer stickiness remains exceptionally high, with 95.7% of 9MFY26 revenue generated from existing customers, reflecting the mission-critical nature of its solutions and long-term digital transformation partnerships.

Proprietary platforms and emerging technologies drive scalable growth

Unlike traditional IT service providers that rely primarily on manpower-led execution, CSM has developed a suite of proprietary platforms and intellectual property that improve scalability and strengthen margins. The company's Low-Code No-Code framework enables rapid application deployment, while its AI orchestration platform supports large-scale automation and decision-making. It also holds a patent for an automated, tamper-resistant ore-sampling solution that has been recommended by the Ministry of Mines for wider adoption. This platform-led approach is beginning to translate into improved operating performance, with EBITDA margins expanding from 14.7% in FY25 to 18.2% in 9MFY26, while ROE and ROCE stood at 23.8% and 24.4%, respectively. Supported by a dedicated emerging technologies team focused on AI, analytics and automation, a presence across 14 countries and ongoing evaluation of acquisitions in cybersecurity and AI, CSM is well positioned to benefit from accelerating government technology spending, growing AI adoption and increasing demand for digital infrastructure solutions.

Issue Details	
Offer Period	24th June, 2026 - 29th June , 2026
Price Band	Rs.107 to Rs. 113
Bid Lot	132
Listing	BSE, NSE
Issue Size (no. of shares in Cr.)	0.1
Issue Size (Rs. in Cr.)	146
Face Value (Rs.)	10

Issue Structure	
QIB	50%
NIB	35%
Retail	15%

BRLM	Keynote Financial Service Limited
Registrar	KFin Technology Limited .

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	94.9	71.2
Public	5.1	28.8
Total	**100.0**	**100.0**

(Assuming issue subscribed at higher band)

Research Team - 022-61596138

CSM Technologies Ltd.

Valuation

CSM Technologies Limited (CSM) is a digital transformation and e-governance solutions provider with a strong presence across governance, mining, agriculture, education and healthcare. The company reported revenue of Rs. 166 crores, EBITDA of Rs. 30 crores and PAT of Rs. 15 crores in 9MFY26, with both EBITDA and PAT already exceeding their respective FY25 levels. Profitability improved sharply during the period, with EBITDA margin expanding to 18.2% from 14.7% in FY25 and PAT margin rising to 8.8% from 7.0%. The company also enjoys healthy revenue visibility, with an order book of Rs. 376 crores as of December 2025, equivalent to nearly 2.3x its 9MFY26 revenue, while customer concentration has reduced meaningfully over the past three years. The key concern, however, remains earnings quality. Operating cash flow turned negative at Rs. 24 crores in 9MFY26, receivables increased to Rs. 85 crores from Rs. 22 crores in FY23, working capital days stretched to 85 from 64, and debt-to-equity rose to 0.86x from 0.18x over the same period. While margins have improved materially, the recovery is concentrated in a single nine-month period and has yet to demonstrate sustainability across business cycles. Further, despite a growing non-government order pipeline, revenue remains dependent on government projects, with Odisha contributing 62.6% of 9MFY26 revenue. Given the stretched working capital profile and rising leverage, we would prefer to avoid the issue and reassess the business once cash conversion and profitability trends stabilize over the next few quarters. **At the upper end of the price band of Rs. 113 per share, the issue is valued at a P/E of 29.7x based on annualized FY26 earnings. While the valuation appears reasonable, stretched working capital, negative operating cash flows and rising leverage outweigh the positives. Hence, we recommend an "AVOID" rating for the issue.**

Key Risks:

⇒ CSM Technologies derives approximately 74% of its FY25 revenues from government tenders, making the business materially exposed to delays in tender issuance, adverse policy shifts, and contract renegotiations. Any prolonged slowdown in public sector IT procurement or change in government spending priorities could significantly impair order inflows and revenue visibility.

⇒ The company's revenue base remains heavily concentrated in Odisha, which contributed approximately 73% of FY25 revenues. This exposes CSM to outsized risk from any adverse administrative, political, or budgetary developments specific to the state, with geographic diversification still at an early stage and the eastern region continuing to dominate the operational mix.

⇒ CSM's top 10 customers accounted for approximately 77.5% of FY25 revenues, meaning the loss of even one or two key relationships could materially impair the order book. This concentration risk is amplified by a deteriorating working capital position receivable days stretching and negative operating cash flows leaving limited financial flexibility to absorb any client-level disruption.

CSM Technologies Ltd.

Income Statement (Rs. in Crores)

Particulars	FY23	FY24	FY25	9MFY26
Revenue				
Revenue from Operations	160	197	199	166
Total Revenue	**160**	**197**	**199**	**166**
Expenses				
Cost of Materials Consumed	32	22	15	8
Cost of Service Rendered	28	52	48	33
Employee Benefits Expenses	60	83	93	80
Other Expenses	13	15	13	15
Total Operating Expenses	**133**	**173**	**170**	**135**
EBITDA	**28**	**24**	**29**	**30**
Depreciation and Amortization expenses	4	5	6	5
Other income	1	2	1	2
EBIT	**25**	**20**	**25**	**27**
Finance costs	2	2	4	6
Exceptional Item	-	-	-	-
PBT	**23**	**18**	**20**	**21**
Current tax	5	5	6	6
Deferred Tax	1	0	0	(0)
Income Tax Adjustment for Earlier Year	0	0	0	(0)
Total tax	7	5	6	6
PAT	**16**	**13**	**14**	**15**
Diluted EPS	**4.2**	**3.3**	**3.7**	**3.8**

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in Crores)

Particulars	FY23	FY24	FY25	9MFY26
Cash Flow from operating activities	**17**	**10**	**9**	**-24**
Cash flow from investing activities	-8	-32	-9	-9
Cash flow from financing activities	**-6**	**19**	**0**	**35**
Net increase/(decrease) in cash and cash equivalents	3	-3	0	1
Cash and cash equivalents at the beginning of the period	**2**	**5**	**1**	**1**
Cash and cash equivalents at the end of the period	**5**	**1**	**1**	**2**

Source: RHP, BP Equities Research

CSM Technologies Ltd.

Balance Sheet (Rs. in Crores)

Particulars	FY23	FY24	FY25	9MFY26
Equity and Liabilities				
Equity Share Capital	6	6	6	39
Other Equity	44	53	71	53
Non controlling interest	0	0	0	1
Total Equity	**50**	**60**	**77**	**92**
Non-Current Liabilities				
Financial Liabilities				
(i) Borrowings	3	16	21	22
(ii) Lease Liabilities	3	3	2	1
Provisions	5	6	7	8
Deferred tax liabilities (net)	0	0	0	0
Total non-current liabilities	**11**	**26**	**30**	**31**
Current Liabilities				
Financial Liabilities				
(i) Borrowings	2	14	11	53
(ii) Lease Liabilities	1	1	1	1
(iii) Trade Payable	5	14	15	5
Provisions	0	0	0	1
Other current financial liabilities	4	5	9	11
Other current liabilities	7	5	11	13
Total Current Liabilities	**19**	**39**	**47**	**83**
Total liabilities	**30**	**65**	**77**	**113**
Liabilities associated with Non-Current Assets held for Sale	**0**	**0**	**0**	**0**
Total Equity and Liabilities	**80**	**124**	**154**	**206**
Assets				
Non-Current Assets				
Property, plant and equipment	21	24	53	51
Right of Use assets	6	6	5	4
Capital Work-in-Progress	3	23	0	1
Intangible Assets	1	2	1	1
Goodwill on Consolidation	0	0	0	1
Intangible Assets Under Development	0	0	0	3
Financial Assets				
(i) Other Financial Assets	2	2	5	7
Deferred Tax Assets (Net)	0	0	0	0
Non-Current Tax Assets	0	0	1	3
Total Non current assets	**33**	**57**	**65**	**72**
Current Assets				
Investments	0	1	0	1
(i) Trade receivable	22	35	62	85
(ii) Cash and cash equivalents	5	1	1	2
(iii) Other Bank Balance	1	5	2	2
(iv) Other current financial assets	1	2	2	2
Other current assets	15	22	22	42
Income Tax Assets (Net)	1	1	0	0
Total Current Assets	**46**	**67**	**89**	**134**
Non-Current Assets held for Sale	**0**	**0**	**0**	**0**
Total Equity and liabilities	**80**	**124**	**155**	**206**

Source: RHP, BP Equities Research

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Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification:

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