

CSM Technologies - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
24 June 2026	29 June 2026	₹107 to ₹113	Neutral

Investment Summary

CSM Technologies is a well-established GovTech and digital transformation company with over 27 years of experience, strong government relationships and proprietary platforms in AI, low-code/no-code development and IoT solutions. The company benefits from a healthy ₹317 crore order book, providing strong revenue visibility, while its robust profitability (ROE 20.7%, ROCE 22.6%) reflects efficient execution and capital utilization. Long-term digital governance initiatives, increasing adoption of AI and cloud technologies and expansion into international markets create favorable growth opportunities. Its mission-critical projects and high switching costs contribute to sticky customer relationships and recurring business. However, the company derives about 74% of revenue from government clients and nearly 73% from Odisha, creating significant customer and geographic concentration risks. The tender-based nature of government contracts exposes it to policy changes, budget delays and competitive pricing pressure. Additionally, high receivables and a working-capital-intensive business model can strain cash flows, while project execution delays, cost overruns and loss-making overseas subsidiaries remain key concerns. Overall, CSM offers a strong niche GovTech growth story supported by technology and execution capabilities, but investors should closely monitor concentration, cash-flow and execution risks.

Company Overview

CSM Technologies Ltd. was incorporated in 1998 and has evolved into a leading GovTech and digital transformation company with over 27 years of experience in the IT/ITeS sector. The company operates a service-oriented, project-driven business model, partnering with governments, PSUs, enterprises and development agencies to design, develop and implement e-governance platforms and digital infrastructure solutions. Its offerings leverage AI, IoT, data analytics and cloud technologies across sectors such as governance, mining, agriculture, education, healthcare, trade facilitation and social protection. Government clients contributed 74.15% of FY25 revenue, highlighting its strong public-sector positioning. While Odisha accounted for 72.97% of FY25 revenue, the company has expanded its presence across 16 Indian cities and 12 international markets through six overseas subsidiaries. As of June 30, 2025, CSM employed 1,126 professionals and maintained an order book of ₹317.33 crore, providing healthy revenue visibility. The company holds globally recognized certifications including CMMI Level 5 and SOC 2 Type II, reflecting strong delivery and governance standards. Its credibility is reinforced by multiple national awards and long-standing government relationships. Led by promoters Priyadarshi Pany and Lagna Panda, CSM combines deep domain expertise, proven execution capabilities and a scalable digital transformation platform to drive future growth.

Business Model

CSM Technologies Ltd. operates as a digital transformation and GovTech solutions provider, generating revenue through IT consulting, custom software development, platform implementation and long-term technology partnerships. Its business is diversified across seven verticals, with Government & Public Services (25.75% of FY25 revenue) and Mining & Allied Services (24.74%) forming the largest segments, followed by Agriculture, Education, Industry & Trade Facilitation, Healthcare and Tourism. The company's competitive advantage stems from its proprietary technology stack, including a Low-Code No-Code (LCNC) framework, AI Model Orchestration Platform, Document Management System and patented IoT-enabled ore sampling solutions. CSM has executed several mission-critical projects such as i3MS/JIMS mineral management systems, the BSKY healthcare platform, the Paddy Analytics System and the SAMS education portal, demonstrating strong domain expertise and execution capabilities. Government entities contributed 74.15% of FY25 revenue, supported by enterprise and PSU clients, resulting in long-term and sticky customer relationships. As of June 30, 2025, the company had an order book of ₹317.33 crore, providing healthy revenue visibility. High entry barriers arising from domain expertise, complex system integration requirements, long procurement cycles and high switching costs

strengthen its market position. Backed by CMMI Level 5 and SOC 2 Type II certifications, CSM combines proprietary innovation, deep sectoral knowledge and established government relationships to build a scalable and defensible business model.

Industry Outlook

CSM Technologies operates in the rapidly growing GovTech and digital transformation industry, supported by increasing government investments in digital public infrastructure and citizen-centric service delivery. The global e-governance market is expected to grow from approximately \$24 billion in CY24 to \$47 billion by CY30, while India's government IT and digital spending is projected to expand steadily through FY31. Growth is being driven by initiatives such as Digital India, Smart Cities Mission and Ayushman Bharat Digital Mission, which are accelerating the adoption of digital platforms across governance, healthcare, education, agriculture and public services. Rising investments in artificial intelligence, data analytics, cloud computing and automation are further creating opportunities for smart governance, data-driven decision-making and efficient public service delivery. Beyond India, developing economies across Africa and the Middle East are increasingly investing in e-governance systems, digital identity platforms and broadband infrastructure, providing significant international growth opportunities. However, the industry faces challenges including intense competition, tender-based pricing pressures, talent retention issues, cybersecurity risks, evolving data privacy regulations and the complexity of integrating modern technologies with legacy government systems. Despite these challenges, CSM is well positioned to benefit from long-term industry tailwinds due to its 27-year execution track record, deep domain expertise, proprietary technology platforms and established government relationships. Its ability to replicate successful GovTech solutions across multiple geographies, combined with expansion into international markets, provides a scalable and defensible foundation for future growth.

Investment Rationale

Strong proprietary technology, deep domain expertise

CSM Technologies stands out for its ability to build and deploy proprietary digital platforms tailored for complex government and enterprise needs. Its Low Code No Code (LCNC) development framework enables faster solution delivery and scalability, while its AI Model Orchestration Platform strengthens its capabilities in advanced analytics and automation-driven transformation. In addition, the company has developed patented IoT-enabled ore sampling systems (RADO and RGSL), which are already deployed under Odisha's regulatory ecosystem. This demonstrates not only innovation but also successful commercialization of technology in real-world governance environments. Beyond technology, CSM's execution strength is reinforced by its 27-year operating history in GovTech, along with high-end certifications such as CMMI Level 5 and SOC 2 Type II. These certifications indicate strong process maturity, data security and governance standards—critical requirements for large-scale government contracts.

Strong and visible revenue pipeline supported by a large, diversified order book

The company offers high near-term revenue visibility, supported by an order book of approximately ₹31,732.96 lakhs as of June 30, 2025. This backlog provides strong coverage for future revenues and reduces earnings uncertainty.

Importantly, this order book is well diversified across customer segments:

- Government projects form the largest share (around 68.39%)
- Enterprise clients contribute about 22.12%
- Public Sector Undertakings account for roughly 8.61%

This diversification helps reduce concentration risk while ensuring steady inflow of execution-driven revenues. For investors, this translates into predictable project pipelines and lower volatility in earnings compared to purely private-sector IT firms.

Consistent financial performance with strong profitability

CSM Technologies has demonstrated steady financial growth over the years, reflecting both scale expansion and operational discipline. Revenue from operations has grown from ₹16,043.87 lakhs in FY23 to ₹19,924.42 lakhs in FY25, indicating sustained demand for its services.

Profitability remains healthy, with FY25 Profit After Tax (PAT) of ₹1,408.65 lakhs. More importantly, the company maintains strong return metrics, with:

- Return on Equity (RoE): 20.73%
- Return on Capital Employed (RoCE): 22.62%

These ratios highlight efficient use of capital and strong ability to generate returns from its asset base. For investors, this combination of growth plus profitability is particularly attractive in the mid-sized IT services segment.

Deep government client relationships and high revenue stickiness

A key strength of CSM lies in its entrenched relationships within government ecosystems. In FY25, government clients contributed approximately 74.15% of total revenue, reflecting strong dependence on public sector digital transformation initiatives. The company has executed several mission-critical and long-term engagements, such as integrated mineral management systems in Odisha (i3MS/JIMS), which handle ore accounting for states contributing a significant portion of India's mineral output. These systems are deeply embedded into administrative processes, making replacement or switching highly complex. Such projects naturally create high switching costs, long contract durations and recurring enhancement opportunities, resulting in stable and sticky revenue streams. Additionally, relationships with entities like state agencies, smart city corporations and industrial clients further strengthen business continuity.

Strategic geographic expansion supported by strong macro tailwinds

While Odisha remains its core revenue base (around 72.97% in FY25), CSM is actively diversifying its geographic footprint. The company now operates across 12 international markets and derives about 12.58% of its revenue from overseas regions such as Africa, the USA and Canada. This international expansion reflects increasing acceptance of its delivery capabilities beyond India and provides an important hedge against regional dependency. At a macro level, the company is well positioned to benefit from strong structural tailwinds in digital transformation. Government spending on digital infrastructure and artificial intelligence is projected to grow significantly, with CAGRs of around 7.6% and 23.2% respectively through FY31, driven by initiatives such as "Digital India." These long-term trends expand the addressable market for GovTech and AI-led solutions, placing CSM in a favorable position to capture sustained growth opportunities over the coming decade.

Key Risks

High dependence on government contracts and tender-based revenue model

CSM Technologies derives a significant portion of its revenue from government clients, with approximately 74.15% of FY25 revenue coming from public sector entities. A large share of these contracts is awarded through competitive, tender-based bidding processes. This model exposes the company to risks arising from policy changes, government budget reallocations and administrative delays in procurement cycles. Government IT spending can also be cyclical and influenced by political priorities. Any slowdown in digital governance spending, delays in tender issuance, or inability to win competitive bids could directly impact revenue visibility. In extreme cases, regulatory action such as blacklisting or disqualification from tenders could materially disrupt business continuity and severely affect financial performance.

High geographic and client concentration risk

The company exhibits significant concentration across both geography and customers. In FY25, around 72.97% of revenue was generated from Odisha alone, while the top 10 customers contributed approximately 77.56% of total revenue. This dual concentration makes the business highly vulnerable to localized or client-specific disruptions. Since growth is heavily dependent on a limited set of government and institutional clients, any slowdown in spending or change in vendor preference could disproportionately affect operations. Loss of key contracts, budget cuts, or adverse policy shifts in Odisha—or any major client reducing engagement—could significantly impact revenue stability, order inflows and profitability.

High working capital intensity and stretched receivables cycle

CSM operates a working-capital-intensive business model, with trade receivables accounting for about 40.07% of total assets in FY25. Projects typically require upfront investments in manpower, infrastructure and third-party services, while payments from government clients are milestone-based and often subject to administrative delays. This creates a structural mismatch between cash outflows and inflows. Prolonged receivable cycles can strain liquidity and may require the company to rely on external borrowings to fund operations. This can increase interest costs, pressure margins and limit financial flexibility for future growth or expansion initiatives.

Project execution risks including delays, cost overruns and penalties

CSM's business involves execution of complex, large-scale GovTech and digital transformation projects, where accurate estimation of cost and timelines is critical. However, actual execution may deviate from initial assumptions due to factors such as scope changes, client-side approval delays, integration challenges, or dependency on third-party hardware/software vendors. Many contracts are fixed-price in nature, limiting the company's ability to pass on cost escalations. As a result, delays or cost overruns can directly impact profitability and may lead to liquidated damages, penalties, or contract disputes. In severe cases, this could also harm client relationships and future order inflows.

Subsidiary-level financial stress and going concern concerns

The statutory auditors have highlighted an Emphasis of Matter regarding "substantial doubt over going concern" for two foreign subsidiaries—CSM Technologies Inc. (USA) and CSM Tech Corp. (Canada)—for the period ended December 31, 2024. These subsidiaries have reported losses and negative net worth, requiring ongoing financial support from the parent company to sustain operations. Continued underperformance of international subsidiaries could drag down consolidated financial results and place additional pressure on the parent company's cash flows. If turnaround is not achieved, it may require sustained capital infusion, thereby impacting overall profitability and investor sentiment.

Financial Snapshot

Metric	(In Cr)		
	FY23	FY24	FY25
Revenue (₹ Cr)	160.43	196.71	199.24
EBITDA (₹ Cr)	27.87	23.70	29.27
Net Profit (₹ Cr)	15.82	12.54	14.08
EBITDA Margin (%)	17.37%	12.05%	14.69%
PAT Margin (%)	9.86%	6.37%	7.07%
EPS (Basic) (₹)	4.19	3.32	3.72

IPO Details and Use of Proceeds

Parameter	Details
Issuer	CSM Technologies
IPO Structure	Fresh Issue
Issue Size	1,29,01,000 shares (agg. up to ₹146 Cr)
Price Band	₹ 107 to ₹113 per share
Face Value	₹10 per share
Post-Issue Market Cap	₹ 583.12 Cr.
Promoter Holding (Pre/Post)	94.90%/71.18%
IPO Opening Date	June 24, 2026
IPO Closing Date	June 29, 2025
Listing	BSE & NSE
Book Running Lead Manager(s)	Keynote Financial Services Ltd.
Use of Proceeds	• Funding working capital requirements of the Company - 56 Cr • Prepayment or repayment of portion of certain outstanding borrowings availed by Company - 22.63Cr • Achieving inorganic growth through unidentified acquisitions and other strategic initiatives and general corporate purposes

Valuation and Recommendation

At the upper price band of ₹113, CSM Technologies is valued at **30.37x PE**, implying a market capitalization of around ₹583.12 crore. These valuations factor in its positioning as a scaled GovTech and digital transformation player with strong government linkages and a relatively high-quality, service-led revenue model. While the company operates in a tender-driven and execution-heavy industry, its 27-year operating history, strong public sector orientation (74.15% FY25 revenue from government clients) and diversified solution stack across governance, mining, agriculture and citizen services provide reasonable visibility on medium-term revenue flows. The healthy order book of ~₹317 crore further supports near-term execution visibility, while proprietary platforms such as LCNC frameworks and AI-led orchestration tools enhance scalability and differentiation in a competitive IT services landscape. However, concentration risk in Odisha, high dependence on government spending cycles and working-capital intensity temper the overall risk-reward profile. Overall, while CSM Technologies benefits from structural tailwinds in India's digital governance and global GovTech expansion, the valuation already captures a fair degree of its execution strength and public-sector stickiness. Accordingly, considering its steady financial performance, niche domain capabilities and execution track record balanced against concentration and tender-based risks, we recommend a **Neutral stance on the IPO**, with a focus on post-listing monitoring of order inflows, margin stability and successful geographic diversification

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Registration and Contact Details: Name of Research Analyst - Mangal Keshav Financial Services LLP, Research Analyst
Registration No.: INH000018319.

LLPIN: AAM-3358

Registered Office: 501, Heritage Plaza, JP Road, Opp Indian Oil Colony andheri West, Mumbai 400053.

Correspondence/Administrative Office Address - 501, Heritage Plaza, JP Road, Opp Indian Oil Colony andheri West, Mumbai 400053.

TEL: 022 61907900