

January 09, 2016

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	6.00	SMERA BBB-/Stable (Assigned)
Term Loan	2.50	SMERA BBB-/Stable (Assigned)
Bank Guarantee	1.00	SMERA A3 (Assigned)

SMERA has assigned a long term rating of '**SMERA BBB-** (read as SMERA triple B minus) and a short term rating of **SMERA A3**' (read as SMERA A three) to the Rs.9.50 crore bank facilities of Progression Infonet Private Limited (PIPL). The outlook is '**Stable**'. The ratings draw support from the company's healthy business risk profile marked by diversified revenue base and improved operating margins. The ratings also draw comfort from the healthy financial risk profile due to comfortable leverage and efficient working capital management. Additionally, the ratings also take into account the long track record of operations and experienced management. However, the ratings are constrained by customer concentration risk, moderate scale of operations and competition from established IT players.

PIPL, established in 1995 is an IT infrastructure solution provider and also system integrated services. The company decided to shift its focus to software/applications and service management and ventured into cloud based services from FY2013-14. This resulted in improved operating margins over the last three years to ~7.49 percent in FY2014-15 from 5.99 percent in FY2013-14.

The company operates with healthy financials marked by gearing (debt to equity) of 0.31 times as on March 2015 and interest coverage of 3.29 times in FY2014-15. The working capital management has been efficient, evident from the average bank utilisation of ~61 percent for the period June to November 2015. Besides, the promoters have over two decades of experience in the IT industry.

However, PIPL's top five clients contribute around 46 percent to the revenue which means the company could lose a sizeable amount of revenue even if a single client moves out. PIPL's moderate scale of operations is marked by operating income of Rs.48.10 crore in FY 2014-15.

Outlook: Stable

SMERA believes that PIPL will continue to maintain a stable business risk profile over the medium term and benefit from the promoters' extensive experience in the IT industry. The outlook may be revised to 'Positive' if the financial risk profile improves resulting in healthy cash accruals. Conversely, the outlook may be revised to 'Negative' if the liquidity weakens with unanticipated stretch in working capital cycle or higher than expected debt funded capex.

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Rating Sensitivity Factors

- Ability to scale up operations while maintaining margins
- Effective working capital management

About the Company

PIPL established in 1995 is a Delhi-based company promoted by Mr. Jai Bhagwan Hooda and Mr. Rohit Luthra. The company provides IT infrastructure solutions, cloud services and system integrated services.

For FY2014–15, PIPL reported net profit of Rs.0.32 crore on total income of Rs.48.10 crore as compared with net profit of Rs.0.51 crore on total income of Rs.47.97 crore in FY2013–14. The firm's net worth stood at Rs.7.41 crore as on March 31, 2015, as compared with Rs.7.22 crore a year earlier.

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