

Press Release

Progression Infonet Private Limited

October 22, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs. 10.50 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Downgraded from ACUITE BB+)
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB+**' (**read as ACUITE double B plus**) and reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the above mentioned bank facilities of Progression Infonet Private Limited (PIPL). The outlook is 'Stable'.

Rating downgrade is on account of stagnancy in revenues, stretched liquidity and deterioration in the working capital cycle. Operating income of the company stood at Rs. 43.47 crore in FY2018 (Prov.) against Rs. 40.15 crore in FY2017 and Rs. 55.48 crore in FY2016, working capital limits of the company have been fully utilized and there is an increase in the Gross Current Asset (GCA) days from 107 in FY2017 to 176 in FY2018 (Prov.).

Incorporated in 1995, PIPL is a Delhi based company promoted by Mr. J B Hooda and Mr. Rohit Luthra. It provides IT infrastructure solutions, cloud services and system integrated services. Company is a channel partner of HP for selling of its products (mainly servers, networking equipments, power and cooling equipments). Apart from selling of hardware (mainly manufactured by HP), PIPL is also authorized to sell AMC, Care Pack (extended warranty) & Support Pack of HP, Oracle, VMware & Microsoft. In 2013, PIPL introduced cloud services; currently it operates and manages its own Data Centre.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of PIPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

PIPL, incorporated in 1995 provides IT infrastructure solutions, cloud services and system integrated services. The promoters possess two decades of experience in the IT service industry. Co-founder, director Mr. J B Hooda started his career with the Indian arm of the US based Carrier Corporation. He then moved into the IT Industry, with the HCL Group, where he worked on infrastructure solutions for major public-sector companies such as SAIL, SECL & NTPC and other corporate majors and multinationals. Mr. Rohit Luthra started his career with the consumer goods industry (sales, consulting, technology and systems) in 1990 and later joined PIPL and is currently responsible for the business planning and strategy, finance and HR roles, and supports in business and alliances development. Management is equally supported by qualified professionals in the field.

• Reputed clientele

PIPL provides IT solutions and system services to some of the reputed clientele including Maruti Suzuki, Matrix, Tech Mahindra, Samsung to name a few. Acuité believes experience of the promoters in the industry will continue to help the company establish healthy relations with its customers and suppliers.

• Diversified product profile

PIPL has diversified product profile wherein it offers various software system integration and data center related services to its clients. The business profile is classified into three segments i.e. Trading of hardware, IT infrastructure solutions and Cloud services. Sale of product includes IT equipment and

software licenses which contributes ~67 per cent of the total revenue mix for FY2018, whereas sale of services includes software development, software export, AMC maintenance and IT infrastructure and related services etc which contributes the balance 33 per cent of the total revenue mix for FY2018. Currently company generates higher revenue from its trading business; however data center services offer higher margins. Going ahead, PIPL is planning to increase its revenue share from cloud services by lowering its trading volumes.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the company is characterised by moderate networth, gearing and debt protection measures. The networth base of PIPL stood at Rs.8.11 crore as on 31st March 2018 (Provisional) as compared to Rs.7.84 crore as on 31st March 2017. The gearing stood at 1.26 times as on 31st March 2018 (Provisional) as compared to 1.16 times as on 31st March 2017. The total debt of Rs. 10.25 crore as on March 31, 2018 (Provisional) includes long term debt of Rs. 5.24 crore, short term working capital borrowings of Rs.5.01 crore. The interest coverage of the company stood at 3.03 times in FY2018 (Provisional) as against 2.90 times in the previous year. The net cash accruals to total debt (NCA/TD) stands at 0.23 times in FY2018 (Provisional) as compared to 0.22 times in FY2017. Net cash accruals stood at Rs. 2.32 crore in FY2018 (Provisional) against a debt repayment obligation of Rs. 1.12 crore.

- **Deterioration in the working capital cycle**

Operations of the company are working capital intensive marked by an increase in the gross current asset (GCA) days to 176 in FY2018 (Provisional) from 107 days in FY2017. The increase is on account of increase in collection period from 71 days in FY2017 to 143 days in FY2018 (Provisional). Payable days also increased to 187 in FY2018 (Provisional) against 99 days in previous year. As indicated by the management the increase is mainly on account of higher sales towards the last quarter. However, Acuité believes efficiently maintaining working capital by the company will continue to remain a key rating sensitivity.

Outlook: Stable

Acuité believes PIPL will maintain a 'Stable' outlook over the medium term. The company will continue to benefit from its experienced management, reputed clientele and diversified revenue stream. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of further deterioration in the financial risk profile and the liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	43.47	40.15	55.48
EBITDA	Rs. Cr.	3.55	3.08	3.21
PAT	Rs. Cr.	0.27	0.09	0.31
EBITDA Margin	(%)	8.16	7.67	5.78
PAT Margin	(%)	0.62	0.22	0.55
ROCE	(%)	8.81	9.25	13.50
Total Debt/Tangible Net Worth	Times	1.26	1.16	0.80
PBDIT/Interest	Times	3.03	2.90	3.33
Total Debt/PBDIT	Times	2.78	2.70	1.78
Gross Current Assets (Days)	Days	176	107	136

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Jun-2018	Cash Credit	Long Term	7.00	ACUITE BB+ (Downgraded/ Issuer not co-operating)
	Term Loan	Long Term	2.00	ACUITE BB+ (Downgraded/ Issuer not co-operating)
	Bank Guarantee	Short Term	1.50	ACUITE A4+ (Downgraded/ Issuer not co-operating)
25-Mar-2017	Cash Credit	Long Term	7.00	ACUITE BBB- / Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.50	ACUITE A3 (Reaffirmed)
09-Jan-2016	Cash Credit	Long Term	6.00	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	2.50	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB / Stable (Downgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.43	ACUITE BB / Stable (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.07	ACUITE BB / Stable (Assigned)

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About Acuité Ratings & Research:

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