

Press Release

Precision Informatic (M) Private Limited

November 01, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE BBB minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 25.00 crore bank facilities of Precision Informatic (M) Private Limited. The outlook is '**Stable**'.

PRECISION INFORMATIC (M) PRIVATE LIMITED (Precision) is a Chennai (Tamil Nadu) based company incorporated in June 1996. Precision is promoted by Mr. Mathew Chacko, Mr. Viswanathan Murali and Mr. Thanjavur Govindarajan Ramesh. The company's revenue profile is diversified into Infrastructure Management, System Integration and Biometrics & IoT services. It is having a Pan India presence with 10 branches. Precision has a well- diversified client base comprising of IT companies, Banks, Telecom companies, public sector units among others.

Analytical Approach

For arriving at the ratings, Acuité has considered the standalone business and financial risk profile of Precision Informatic (M) Private Limited. Acuité team has not consolidated the financial and business risk profiles of Precision Informatic (M) Private Limited with other group entities Precision Biometric India Pvt Ltd, Precision Techserve Pvt Ltd as there are no significant financial and operational synergies, no corporate guarantees among the group entities, except the common management and ownership.

Key Rating Drivers

Strengths

• Professional & experienced management

Incorporated in 1996, Precision's promoters are technocrats and worked with IT major HCL Technologies Ltd in the past; with diversified experience gained and the networking established with the stakeholders, they ventured into this business. Over a period, it diversified into several segments including Banks, IT Companies, Telecom among others. Its major clientele include Vodafone Business Services Ltd, Hewlett Packard Enterprise (India) Private Limited, public sector banks - SBI, UCO Bank, Dena Bank, IDBI Bank, Tech Mahindra, Wipro among others. Its timely execution ability has resulted in high repeat business, thus providing stability to the revenue stream and its top 10 clients accounting for ~60% of revenues during FY2018 and ~68% in FY2017 signifying no revenue concentration. Further, its revenues are well diversified into: infrastructure services (~22 %), system integration (~ 67%) and biometric solutions (~11%). Under Infrastructure services, it provides network management, security management, end-user and data center support (both online and remote services). Under System integration, it provides services of server & storage, cloud solutions, networking and other software solutions. Under Biometric & IoT - it supplies sensors, hardware design, embedded software development among others. Precision has reported revenues of about Rs.70.25 crores for 6MFY2019, and has an unexecuted order book position of about Rs.61.60 crores thus giving adequate revenue visibility. Acuité believes that Precision's business risk profile is expected to improve further supported by experienced management and healthy relations with its clientele over the medium term.

• Above average financial risk profile

Precision's financial risk profile is comfortable marked by moderate networth, capital structure and debt protection measures. Precision's net worth is moderate at around Rs.21.75 crore as on March 31, 2018 (Rs.18.62 crores in FY2017); improvement owing to accretion to reserves. The profitability margins

and topline varies basis the composition of revenues. Precision's capital structure / gearing (debt-to-equity) is moderate marked by its low gearing at 1.06 times as on March 31, 2018 against 1.53 times as on March 31, 2017; however, its constrained by high total outside liabilities to total networth (TOL/TNW) of 2.94 times in FY2018, though improved from 3.95 times in FY2017. Precision's debt protection metrics are moderate with interest coverage of 2.46 times and NCA/TD of 0.16 times for FY2018. Acuité believes that the financial risk profile is expected to be at similar levels over the medium term, owing to modest accretion to reserves and working capital intensive operations.

Weaknesses

- **Moderate scale of operations in an intensely competitive industry**

The IT industry is characterised by intense competition from large players enjoying benefits and higher bargaining power. With an operating income to the tune of Rs.130 crore in FY2018, Precision is a modest player thus restricting its ability to secure large orders, limiting the scale benefits and bargaining power, which in turn affects its pricing flexibility. The company also remains susceptible to industry-specific risks, such as exchange-rate fluctuations as major IT products are imported and buys from the local distributors and OEM's.

- **Working capital intensity of business remains high**

Precision's operations are highly working capital intensive as evident from high gross current asset (GCA) days of 211 days in FY18; an increase from 146 days in FY17, primarily because of high volume of operations in last quarter and high debtor days of 161 for FY18 increase from 12 days in FY17. The receivable position varies basis the composition of revenues - services revenue along with product supply takes longer period. This results in utilisation of limits at about 70 per cent. Acuité believes that going forward, as the order booking for services business increases, the working capital intensity may increase further.

Outlook: Stable

Acuité believes that the outlook on Precision will remain 'Stable' over the medium term on account of the experience of the promoters in the IT industry and established relationship with its clientele. The outlook may be revised to 'Positive' in case of significant growth in its revenues while maintaining its profitability and improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	130.56	195.16	131.61
EBITDA	Rs. Cr.	9.99	7.54	5.41
PAT	Rs. Cr.	3.05	1.98	0.99
EBITDA Margin	(%)	7.65	3.86	4.11
PAT Margin	(%)	2.34	1.01	0.75
ROCE	(%)	21.39	17.07	27.94
Total Debt/Tangible Net Worth	Times	1.06	1.53	1.67
PBDIT/Interest	Times	2.46	1.75	1.42
Total Debt/PBDIT	Times	2.24	3.42	4.14
Gross Current Assets (Days)	Days	211	146	161

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

CRISIL, vide its press release dated March 28, 2018 had denoted the rating of Precision Infomatic (M) Pvt Ltd as 'CRISIL BB/Stable/CRISIL A4+; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'CRISIL BB/Stable/CRISIL A4+' vide its press release dated Nov 16, 2016

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>
- 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)

Not Applicable

*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	12.00	ACUITE BBB-/Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3 (Assigned)
Proposed Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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