

## Press Release

### Precision Infomatic (Madras) Private Limited

November 19, 2019

### Rating Reaffirmed



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

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B Minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs.25.00 crore for bank facilities of Precision Infomatic (Madras) Private Limited (Precision). The outlook is '**Stable**'.

The rating reaffirmation reflects sustenance of the revenue growth in line with the estimates. Precision reported revenues of Rs.157.26 crore in FY2019 as against Rs.130.56 crore in FY2018 backed by repeat orders from the customers. Further, the ratings continue to reflect the experienced management and established track record of operations and moderate financial risk profile. However, it is constrained by working capital intensive operations and competitive industry.

Precision Infomatic (Madras) 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 & Internet of things (IoT) services. It has 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, Acuite has considered the standalone business and financial risk profile of Precision Infomatic (Madras) Private Limited.

### Key Rating Drivers

#### Strengths

- **Experience of promoters and established track record of operations**

Incorporated in 1996, Precision's promoters Mr. Mathew Chacko, Mr. Viswanathan Murali and Mr. T G Ramesh are technocrats and having more than two decades of experience in the IT/ITES industry. Over the years the company has developed well-diversified client base comprising of IT companies, Banks, Telecom companies, public sector units among others. Its major clientele include Vodafone-Idea Ltd, Hewlett Packard Enterprise (India) Private Limited, State Bank of India (SBI), Tech Mahindra, Wipro among others. Further, the revenues are diversified into: infrastructure services (~30 %), system integration (~ 68%) and biometric solutions (~2%). Precision's revenues have improved at a compound annual growth rate (CAGR) of 6.22 percent over three years ending FY2019 further it has reported revenues of about Rs.82.46 crores for 10MFY2020. Acuite believes that promoters' entrepreneurial experience, healthy relations with its clientele is expected to aid in improving its business risk profile over the medium term.

- **Moderate financial risk profile**

Precision's financial risk profile is moderate, marked by moderate network, moderate capital structure and healthy debt protection metrics. Net worth is moderate at Rs.25.23 crore as on March 31, 2019 vis-à-vis Rs.21.75 crore as on March 31, 2018; improvement is owing to accretion to reserves. It's gearing (debt -equity) is healthy at 0.60 times as on March 31, 2019 as against 1.08 times as on March 31, 2018. However total outside liabilities to total net worth (TOL/TNW) stood high at 3.00 times as on March 31, 2019 as against 2.94 times as on March 31, 2018. Its debt protection metrics are moderate as reflected by net cash accruals to total debt (NCA/TD) and interest coverage ratio (ICR) are healthy at 0.29 and 3.99 times in FY2019 vis-à-vis 0.16 times and 2.46 times, respectively in

FY2018. It reported cash accruals of Rs.4.36 crore in FY2019, its accruals are expected in the range of Rs.8-10 crores in FY2020-22 against its repayment obligations of Rs.0.35-0.75 crores during the same period. The company doesn't have any capex plans over the medium term.

Acuité believes that in the absence of significant debt-funded capex plans, the financial risk profile continues to be at similar levels over the medium term.

## Weaknesses

### • Intensive working capital operations

Precision's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days are stagnant of 211 days in FY2019 and FY2018. GCA days high primarily because of high volume of operations in last quarter and high debtor days of 166 for FY2019 and 161 in FY2018. However, supported by ability to extend creditors and of 174 days FY2019 and 134 days in FY2018. This results in utilisation of limits at about 65 percent over the past six months ending through August 2019. Acuité believes that going forward, as the order booking for services business increases, the working capital intensity may increase further.

### • Intensely competitive industry

IT/ITES industry is characterised by intense competition from large players enjoying benefits and higher bargaining power. The company also remains susceptible to industry-specific risks, such as exchange-rate fluctuations as major IT products are imported and bought from the local distributors and OEM's. However, the entrepreneurial experience is supporting its operating margins stood range bound between 3.86 percent-6.58 percent over past three years ending fiscal 2019.

## Liquidity Position: Adequate

Precision has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. It reported cash accruals of Rs.4.36 crore in FY2019. Its accruals are expected in the range of Rs.8-10 crores in FY2020-22 against its repayment obligations of Rs.0.35-0.75 crores during the same period. The company has intensive working capital operations as marked by moderate gross current asset (GCA) days of 211 in FY2019. Its working capital is supported by its creditors resulted reliance on working capital borrowings is low; the cash credit limit in the company remains utilized at ~65 per cent during the last 6 months period ended August 2019. The current ratio stood at 1.21 times as on 31 March 2019. Its unencumbered cash and bank balances of Rs.1.53 crores as on 31 March 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals as against its repayment obligations over the medium term. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals as against its repayment obligations.

## Rating sensitivity

- Scaling up of operations, while achieving sustained improvement in operating margins.
- Any deterioration in working capital leading to higher reliance on external borrowings

## Material Covenants

None

## Outlook: Stable

Acuité believes that precision will maintain a 'Stable' outlook over the medium term from its promoter's entrepreneurial experience and established relationship with its clientele. 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 deterioration in the company's financial risk profile or liquidity position.

## About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	157.26	130.56	195.16
EBITDA	Rs. Cr.	10.35	9.99	7.54
PAT	Rs. Cr.	3.30	3.05	1.98
EBITDA Margin	(%)	6.58	7.65	3.86

PAT Margin	(%)	2.10	2.34	1.01
ROCE	(%)	23.26	21.18	16.98
Total Debt/Tangible Net Worth	Times	0.60	1.08	1.55
PBDIT/Interest	Times	3.99	2.46	1.75
Total Debt/PBDIT	Times	1.38	2.29	3.47
Gross Current Assets (Days)	Days	211	211	146

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

None

**Any other information**

None

**Applicable Criteria**

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Services Entities - <https://www.acuite.in/view-rating-criteria-50.htm>

**Note on complexity levels of the rated instrument**

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

**Rating History (Up to last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
01-Nov-2018	Cash Credit	Long Term	12.00	ACUITE BBB-/Stable (Assigned)
	Bank guarantee	Short Term	2.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	7.00	ACUITE A3 (Assigned)
	Proposed Letter of Credit	Short Term	4.00	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	15.00 (Enhanced from Rs.12.00 Crs)	ACUITE BBB-/Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB-/Stable (Assigned)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3 (Reaffirmed)

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### About Acuité Ratings & Research:

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